Macquarie Airports Management Limited

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Our Ref 2440885_1.DOC

7 September 2009

MACQUARIE

ASX RELEASE

MACQUARIE AIRPORTS INTERNALISATION PROPOSAL
EXPLANATORY MEMORANDUM & INDEPENDENT EXPERT REPORT

Macquarie Airports (MAp) announced on 24 July 2009 that it had reached agreement with Macquarie Capital (Macquarie) to internalise the management of MAp, subject to MAp security holder approval. On 28 August 2009 it was announced that the proposal would be funded via a 1 for 11 non-renounceable pro-rata entitlement offer to eligible MAp security holders at A$2.30 per stapled security, raising a maximum of A$356m. The payment to Macquarie in return for ending the management rights is A$345 million.

In commenting on the internalisation proposal, Mr Trevor Gerber, chairman of the Independent Board Committee of Macquarie Airports Management Limited, said, “This proposal should be considered in the context of the size and scale of MAp’s operations and the strength of its performance since listing. MAp’s airport interests have an enterprise value of $13 billion based on directors’ valuations and MAp has a portfolio of quality, global airport assets and a world class management team. MAp has performed solidly for security holders, has a clear strategy to drive growth and is well positioned to benefit from the positive long-term outlook for the aviation market.

“The proposal is the next logical step in a strategic process by MAp to address the gap between the value of the airport investments and the security price. MAp has reached a stage in its evolution where it makes sense to become a standalone entity.”

The Independent Expert has found the proposal to be fair and reasonable, valuing the management rights in the range of A$321m-A$401m. Importantly, the Independent Expert noted that the benefits of such a change in cost structure are significant and should not be underestimated.

In relation to the previously announced Entitlement Offer, MAp security holders will have the opportunity to participate in any shortfall pro-rata to their security holdings. Macquarie has committed to MAp that it will subscribe for its full entitlement of securities but will now restrict its participation to a maximum of 88.3 million securities, so that its voting power will not be more than 3 percentage points higher than its pre-entitlement voting power. MAp currently has approximately A$780m in cash.

Macquarie will manage the entitlement offer and will not receive any compensation for this.

In conclusion, Mr Gerber said "The Independent Directors[1] have comprehensively considered the rationale for Internalisation and the level of payment for the management rights and believe that there are a number of important benefits that will accrue to MAp as a result of the internalisation.

"The Independent Directors believe that the internalisation proposal is in the best interests of security holders and unanimously recommend that security holders vote in favour of the proposal."

The attached Explanatory Memorandum and Independent Expert Report have been despatched to security holders today. The Special General Meeting will be held on 30 September 2009 and details of the time and venue are contained in the Explanatory Memorandum.

For further information, please contact:

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Inside Australia: 1300 658 985	Louise Watson
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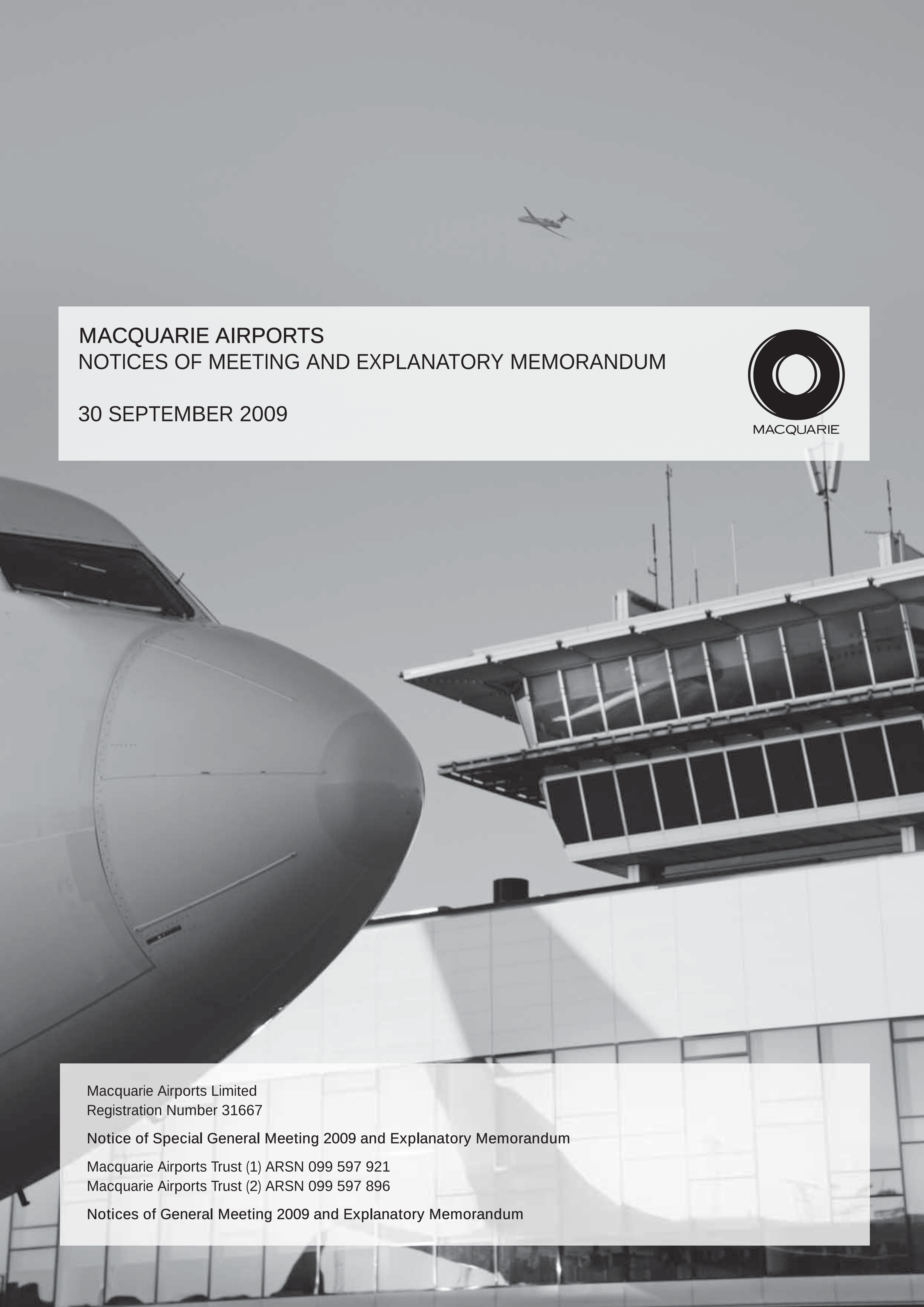
[1] The independence of directors is determined and assessed annually in accordance with the requirements of the Macquarie Group Managed Funds policy definition adopted by MAp and included on MAp's website www.macquarie.com/map.



MACQUARIE AIRPORTS

NOTICES OF MEETING AND EXPLANATORY MEMORANDUM

30 SEPTEMBER 2009

MACQUARIE

Macquarie Airports Limited
Registration Number 31667

Notice of Special General Meeting 2009 and Explanatory Memorandum

Macquarie Airports Trust (1) ARSN 099 597 921
Macquarie Airports Trust (2) ARSN 099 597 896

Notices of General Meeting 2009 and Explanatory Memorandum

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Important Notices

Notices of Meeting and Explanatory Memorandum

These Notices of Meeting and Explanatory Memorandum (together, the *Explanatory Memorandum*) provide Macquarie Airports (*MAp*) stapled security holders with information about resolutions to approve the proposal to internalise the management of MAp and other proposed resolutions.

No investment advice

This Explanatory Memorandum has been prepared without reference to the investment objectives, financial situation or particular needs of any security holder or any other person. The information contained in this Explanatory Memorandum does not constitute financial product advice.

This Explanatory Memorandum is important and requires immediate attention. It should be read in its entirety before making a decision on how to vote on the resolutions. In particular, it is important that you consider the disadvantages and potential risks of the Internalisation set out in section 1.9(b) and the views of the Independent Expert set out in the Independent Expert Report contained in Annexure 1, and as discussed in section 1.11.

If you are in doubt as to the course you should follow, you should consult your legal, investment, taxation or other professional adviser without delay.

Responsibility for information

Except as outlined below, the information contained in this Explanatory Memorandum has been provided by MAp and is its responsibility alone. Except as outlined below, none of Macquarie Group nor any of their respective directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of such information.

The Independent Expert has provided and is responsible for the information contained in the Independent Expert Report. None of MAp, Macquarie Group nor any of their respective directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the information contained in the Independent Expert Report which accompanies this Explanatory Memorandum.

Macquarie Capital Group Limited (ABN 54 096 705 109) has provided and is responsible for the Macquarie Information. None of MAp nor any other member of Macquarie Group nor their respective directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Macquarie Information.

Disclosure regarding forward looking statements

Certain statements in this Explanatory Memorandum relate to the future. The forward looking statements in this Explanatory Memorandum are not based on historical fact but rather reflect the current expectations of MAp or Macquarie (as the case may be) in relation to future results and events. These statements may be identified by the use of forward looking words or phrases such as ‘believe’, ‘aim’, ‘expect’, ‘anticipate’, ‘intend’, ‘foresee’, ‘likely’, ‘should’, ‘plan’, ‘estimate’, ‘potential’ or other similar words and phrases.

These forward looking statements are not guarantees of future performance. You should be aware that known and unknown risks, uncertainties and other important factors could cause the actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other important factors include, among other things, the risks in respect of the Internalisation as set out in section 1.9(b) of this Explanatory Memorandum. Security holders are cautioned not to place undue reliance on such forward looking statements. Deviations as to future results, performance and achievement are both normal and expected.

Not an offer document

This document is not an offer document in relation to the Entitlement Offer. You should consider the offer documents which will be sent to eligible MAp security holders before deciding whether to participate in the Entitlement Offer. Anyone who wishes to acquire MAp securities under the Entitlement Offer will need to complete the application form that will be in, or will accompany, the offer documents. *This document is not intended to be an offer for subscription, invitation, recommendation or sale with respect to any MAp securities in any jurisdiction.*

References to Macquarie’s holding in MAp securities

All references in this Explanatory Memorandum to Macquarie Group’s voting power in MAp securities are stated on the basis that on 3 September 2009:

(a) Macquarie’s holding in MAp securities is 21.0%; and

(b) Macquarie Group’s total relevant interest and voting power (including Macquarie’s holding) is 22.8%.

The above percentages have been determined on the assumption that MAp has 1,706,125,295 stapled securities on issue (being the number of stapled securities on issue as at 30 June 2009 as stated in MAp’s Management Information Report for the period ended 30 June 2009).

Please refer to section 1.20 for further details.

Date

This Explanatory Memorandum is dated 7 September 2009.

Key Dates

Event	Date and Time
Date of this Explanatory Memorandum	7 September 2009
Time and date by which proxy forms must be received	2.00pm, Monday 28 September 2009
Time and date for determining eligibility to vote at the Meeting	7.00pm, Monday 28 September 2009
Meetings of security holders to be held	2.00pm, Wednesday 30 September 2009
If Resolutions approved by security holders	
Entitlement Offer Record Date	Monday 12 October 2009
Dispatch of Entitlement Offer documentation to security holders	Tuesday 13 October 2009
Closing date of the Entitlement Offer	Tuesday 27 October 2009
Allotment of new MAp stapled securities under the Entitlement Offer	Friday 30 October 2009
Internalisation effective	Friday 30 October 2009

All dates are indicative only. Any changes to the above timetable will be announced through the ASX.

Venue for the meetings

The James Cook Ballroom
Level 2
Intercontinental Sydney
117 Macquarie Street
Sydney NSW 2000

Letter from the Chairmen of the MAp Independent Board Committees

Dear Security Holder,

Why we are putting this proposal to you

Since its listing, MAp has established a portfolio of high quality, resilient airport assets and a world class management team. It has a clear strategy to drive earnings growth and is well positioned to benefit from the positive long-term outlook for the aviation market.

Even so, the MAp boards have been concerned for some time that the value of MAp's airport investments is not properly reflected in the MAp security price.

Strategic steps have been taken to address this gap, including the sales of Rome and Birmingham airports at a premium to valuations, the partial divestment of stakes in Copenhagen and Brussels airports and the reduction of debt at MAp and at Sydney airport. The boards have also committed to aligning future distributions to operational earnings.

The MAp Independent Directors believe the next logical step in this process is for MAp to internalise its management. MAp has reached a stage in its evolution where it makes sense to become a standalone entity. The external management model is increasingly out of favour with the market and some investors prefer not to invest in such a model at all.

Terms of the proposal

As a result of this strategic imperative, on 24 July 2009 the MAp Independent Directors announced they had reached agreement with Macquarie to internalise the management of MAp and, on 28 August 2009, the MAp Independent Directors announced an amended proposal, subject to the approval of MAp security holders ('the Internalisation').

If the proposal for Internalisation is approved then:

- MAp will become a standalone entity;
- MAp will acquire the management rights from Macquarie;
- the management team and its unique knowledge and expertise will become part of MAp; and
- Kerrie Mather will remain Chief Executive Officer, will be directly employed by MAp and will be appointed as a director.

MAp will implement the Internalisation by acquiring all the shares of MAML, a subsidiary of Macquarie, and by ending its management arrangements with Macquarie in return for $345 million.

The Internalisation is not expected to impact the 2009 full year distribution guidance of $0.21 per security. This guidance is subject to external shocks to the aviation industry and material changes to forecast assumptions.

Macquarie's co-operation is essential to Internalisation

The MAp Independent Directors consider that Macquarie's cooperation is essential in the transition to the preferred internal management model. Without it, MAp may not have the benefit of the MAp management team with its accumulated knowledge and experience.

Importantly, MAp needs the cooperation of Macquarie and its managed funds to avoid triggering change of control and pre-emptive rights clauses in debt facilities and shareholders' arrangements, in particular, the Brussels and Copenhagen airports' debt facilities.

The participation of approximately 40 banks in facilities totalling approximately $4.0 billion highlights the challenges involved in potentially refinancing these facilities in current difficult debt markets.

In respect of the shareholders' arrangements for Brussels Airport, Macquarie has agreed to maintain its existing advisory agreement in order to ensure there is no breach of the Shareholders' Agreement for Brussels Airport and it has agreed to do so at no cost. Additionally, other Macquarie managed funds have agreed to waive their pre-emptive rights in respect of MAp's investments in Brussels Airport and Copenhagen Airports on a change of control of MAML.

Internalisation payment considerations

Your Independent Directors, advised by Grant Samuel, have undertaken robust and rigorous negotiations with Macquarie. The payment to Macquarie of $345 million was reviewed by the MAp Independent Directors against a number of valuation benchmarks as follows:

NPV

- The net present value of the incremental earnings from the elimination of management fees is estimated to be in excess of $345 million.
- If performance fees are allowed for, the net present value of incremental earnings is estimated to be even higher.

Multiples

- The payment equates to a pre-tax earnings multiple of 10.7 times compared to MAp's own trading EBIT multiple of 13.3 times[1] (based on a security price of $2.30).
- Including illustrative performance fees of $20 million per annum, the multiple drops further to 6.6 times.

Other considerations

- The magnitude of potential performance fees payable to Macquarie has been taken into consideration.
- Other transactions have been considered, although there are very few, if any, transactions that are directly comparable.

Based on these benchmarks, the MAp Independent Directors regard the payment to Macquarie as reasonable.

The Independent Expert recommends the Internalisation as fair and reasonable

Independent Expert Valuation range
$321 million - $401 million

The Independent Expert has valued the management rights at between $321 million and $401 million. In coming to this valuation it has adopted a combination of assumptions which it considers to be conservative.

The Independent Expert has provided an opinion that the Internalisation is fair and reasonable from the perspective of non-associated security holders.

Importantly, the Independent Expert noted that: *"the Internalisation should act to reduce the volatility in MAp's reported earnings as well as provide increased savings should either the market price of a MAp security increase or MAp grows through acquisitions. In our view the benefits of such a change in cost structure are significant and should not be underestimated, although we note that there is no certainty that this will be reflected in the MAp security price".*

Funding the Internalisation payment

If the Internalisation is approved, MAp intends to launch a 1 for 11 non-renounceable entitlement offer at a subscription price of $2.30 per security, being the 10 day VWAP to 23 July 2009 (the day before the announcement of the Internalisation). The Entitlement Offer is intended to partially or fully replenish MAp's cash reserves after making the payment to Macquarie.

The Entitlement Offer will be made to all eligible MAp security holders pro rata according to their holdings. Eligible MAp security holders will also be able to apply for additional MAp securities to the extent that other MAp security holders do not take up their entitlements. The Entitlement Offer is not underwritten, except that Macquarie has agreed to support the capital raising by committing to subscribe for up to a maximum of approximately 88.3 million MAp securities, provided that its voting power does not increase by more than 3% of MAp's issued capital. Macquarie will not receive any compensation for managing the Entitlement Offer.

If MAp security holders approve the Internalisation at the General Meetings and Special General Meeting, the record date for participation in the Entitlement Offer is intended to be 12 October 2009. Additional information about the Entitlement Offer and personalised entitlement and acceptance forms will be dispatched to eligible MAp security holders shortly after the General Meetings and Special General Meeting if the Internalisation is approved. Dates and other details of the Entitlement Offer as described in this Explanatory Memorandum are indicative only and are subject to change. Any changes will be announced through the ASX.

The MAp Independent Directors believe the impact of the Internalisation and the subsequent Entitlement Offer will be broadly neutral to initial proportionate earnings per stapled security under the expanded capital base and positive to proportionate earnings per stapled security in the medium to long term.

1 Based on consensus broker forecasts for the year ending 31 December 2009 and proportionate net debt as at 30 June 2009.

Letter from the Chairmen of the MAp Independent Board Committees (continued)

The benefits MAp security holders will gain

There is a range of benefits that the MAp Independent Directors believe will accrue to MAp as a result of the Internalisation.

- The Internalisation will eliminate management fees and that is expected to significantly reduce the overall cost base for MAp and significantly increase earnings. The elimination of management fees is also expected to reduce the volatility of MAp's earnings.
- As a standalone entity, MAp will be better positioned to implement its future direction and strategy on its own terms.
- The Internalisation will better align the accountability of employees as they will be remunerated directly by MAp and will be solely focussed on MAp and its strategies.
- The Internalisation will address investor concerns regarding an externalised management model. As a result, the new MAp should have the potential to attract a wider range of investors that were previously unable or unwilling to invest in the externally managed model.

We recommend you vote in favour of the Internalisation.

Your Independent Directors are confident that the Internalisation is an important step towards reducing the gap between the security price and the underlying value of MAp's airports, and to growing value for all security holders.

We believe the terms that have been agreed are in the best interests of MAp security holders.

General Meetings and Special General Meeting

You are being be asked to vote on Resolutions which give effect to the Internalisation at meetings to be held at 2pm on Wednesday 30 September 2009 in the James Cook Ballroom, Level 2, InterContinental Sydney, 117 Macquarie Street, Sydney, NSW.

The notices of these meetings are included in this Explanatory Memorandum, which also includes:

- an explanation of the Resolutions;
- the disadvantages and potential risks in relation to the proposal;
- the reasons why the MAp Independent Directors believe you should vote in favour of the Internalisation; and
- a report on the Internalisation by the Independent Expert.

Your vote is important. We encourage you to read this document carefully and to exercise your vote. You can vote either in person at the meetings or by completing the attached proxy form which must be submitted by 2.00pm on Monday 28 September 2009. If you have any enquiries, please call the MAp Security Holder Information Line on 1300 658 985 (within Australia) or +61 2 8986 9352 (outside Australia) Monday to Friday between 9.00am and 6.00pm.

Yours faithfully,

Trevor Gerber
Chairman
Independent Board Committee
Macquarie Airports Management Limited

Stephen Ward
Chairman
Independent Board Committee
Macquarie Airports Limited

The MAp Independent Directors unanimously recommend the Internalisation proposal as being in the best interests of security holders

1. Rationale

- The MAp boards have examined a range of strategic options to address the gap between the MAp security price and the value of MAp's airport assets and have progressed a number of initiatives since 2007.
- The MAp Independent Directors are confident that internalising management is an important further step towards reducing the gap between the security price and the underlying value of MAp's airport assets, and to growing value for all security holders.
- MAp has reached a level of maturity and scale as a business whereby internalisation is the next logical stage in MAp's development.
- There are market concerns generally associated with externally managed funds. Because of this current and prevailing view, Macquarie was prepared to negotiate the transfer of management rights.
- As a standalone entity, MAp will be better able to implement its future direction and strategy on its own terms.

2. Macquarie's cooperation in internalising management

- The MAp Independent Directors consider that Macquarie's cooperation is essential in the transition to the preferred internal management model.
- Expert management team

  Without Macquarie's cooperation, MAp may not have the benefit of the management team currently employed by Macquarie and its accumulated knowledge and experience. This is because if the management arrangements were terminated and MAML was removed as responsible entity, there would be no obligation on Macquarie to transfer employees to the new management entity. It would be difficult to create a new team of similar quality and experience.
- Change of control clauses

  In addition, MAp needs the co-operation of Macquarie and its managed funds to avoid triggering change of control and pre-emptive rights clauses in debt facilities and shareholders' arrangements that could otherwise give rise to substantially higher financing costs (in particular in debt facilities relating to Brussels and Copenhagen airports).

  The participation of approximately 40 banks in facilities totalling approximately $4.0 billion highlights the challenges involved in potentially refinancing these facilities in difficult debt markets.

  If debt facilities were refinanced at this time, there could be a substantial increase in margins (e.g. additional interest costs of $120 million per annum if interest margins increased by 3% on $4.0 billion), refinancing fees would be incurred, and it would be difficult to complete the refinancing without the involvement of MAp's experienced management team.

  It is possible that further equity may need to be contributed because the amount of debt equivalent to existing levels may not be available.

  In respect of the shareholders' arrangements for Brussels, Macquarie has agreed to maintain its existing advisory agreement in order to ensure there is no breach of the Shareholders' Agreement for Brussels Airport and it has agreed to do so at no cost. Additionally, other Macquarie managed funds have agreed to waive their pre-emptive rights in respect of MAp's investments in Brussels Airport and Copenhagen Airports on a change of control of MAML.

The MAp Independent Directors unanimously recommend the Internalisation proposal as being in the best interests of security holders (continued)

- Macquarie's effective voting power

  Macquarie has a holding in MAp of 21.0% and a relevant interest in 22.8% in MAp's issued capital, and could vote on any resolution to remove Macquarie as the manager of MAp.

  Macquarie's effective voting power is likely to be higher given that not all security holders vote at meetings. For example, if 55%[2] of MAp security holders other than Macquarie voted on a resolution to remove Macquarie then Macquarie Group's 22.8% voting power in MAp would effectively give it voting power equivalent to 35%[3].

3. Internalisation payment considerations

- MAp will acquire the management rights from Macquarie for $345 million.
- The payment to Macquarie of $345 million was reviewed by the MAp Independent Directors against a number of valuation benchmarks. The detailed analysis is set out in section 1.8 below. In summary the analysis is as follows:
- NPV

  The net present value of the incremental earnings from the elimination of management fees is estimated to be in excess of $345 million taking into account elimination of base fees only (at an equity discount factor of 12.5% - see 1.8 for details of the range of assumptions used).

  If annual performance fees of $20 million are included, the estimated net present values are well in excess of the value that will be paid to Macquarie (again at an equity discount factor of 12.5% - see section 1.8 for details of the range of assumptions used).

  Summary net present values are as follows:

Equity Discount Rate 12.5%	NPV of Incremental Earnings ($m)
Base fees only, growth 6.5%	348
Base fees only, growth 8.5%	508
Base and performance fees, growth 6.5%	566
Base and performance fees growth 8.5%	813

- Multiples

  The payment equates to a pre-tax earnings multiple of 10.7 times compared to MAp's own trading EBIT multiple of 13.3 times[4] (based on a security price of $2.30).

  Including illustrative performance fees of $20 million per annum, the multiple drops further to 6.6 times.

- Performance fees

  The magnitude of potential performance fees payable to Macquarie has been taken into consideration. In total $255 million in performance fees have been paid by MAp to Macquarie since listing in 2002.

  Any future performance fees could be sporadic but possibly large, for example hypothetical performance fees of $50 million and $121 million would be payable at 31 December 2009 under a $2.80 and $3.00 security price (15-day trading average ex dividend – see 1.8 for details) subject to the level of the benchmark index.

- Other considerations

  Other transactions have been considered, although there are very few, if any, transactions that are directly comparable.

  Based on these benchmarks, the MAp Independent Directors regard the payment to Macquarie as reasonable.

2 The average MAp voter turnout (excluding Macquarie's relevant interest) at the AGM in May 2009 and the special general meeting in October 2008 was approximately 55% (that is, 42% of the entire share register including Macquarie's relevant interest).

3 Some of the 1.8% of MAp securities in which Macquarie has a relevant interest but does not hold (ie. 22.8% less 21.0%) are held by other Macquarie Group members and Macquarie does not control the voting rights attached to those securities (for example, because they are held as trustee).

4 Based on consensus broker forecasts for the year ending 31 December 2009 and proportionate net debt as at 30 June 2009.

4. Independent Expert recommends proposal as fair and reasonable

- The Independent Expert has concluded that the Internalisation is fair and reasonable from the perspective of non-associated security holders.
- It has determined the fair value of the management rights to be in the range of $321 million - $401 million.

5. Benefits to MAp

- MAp has a strong management team with unique knowledge and expertise. Internalisation will better align accountability of employees as they will be remunerated directly by MAp and will also be solely focused on MAp and its strategies.
- The additional costs that MAp will incur as a result of the Internalisation will be substantially less than the base fees saved. The increase in earnings is calculated at over $32 million in the first year (assuming base fees of $42 million per annum – see section 1.8 for details).
- MAp will have no liability for future performance fees, which since 2003 have totalled over $255 million (an average of $39 million over 6.5 years). This should also reduce the volatility of MAp's earnings.
- There is the potential to attract a broader range of investors as some institutions and retail investors prefer not to invest in externally managed vehicles, or to invest only to a limited extent.
- As an internally managed entity, MAp will adopt a corporate governance framework in line with those of other ASX listed entities, including security holders appointing all directors.

6. The Entitlement Offer

- The payment to Macquarie for the Internalisation of $345 million will be funded from MAp's cash reserves. If the Internalisation proceeds, it is intended that these funds will be partially or fully replenished via the Entitlement Offer.
- Funds raised through the Entitlement Offer will mean MAp is able to maintain a strong cash position and a flexible balance sheet – both of which are desirable in light of current debt market conditions and operational uncertainty in the current economic environment.
- The Entitlement Offer price of $2.30 represents a discount of approximately 12% to the closing price of $2.60 on 28 August 2009 (the date of announcement of the Entitlement Offer).[5]
- Eligible MAp security holders can avoid being diluted if they wish to take up their full entitlement and will also have the opportunity to increase their holding in MAp by participating in any shortfall pro rata to their security holding.
- The Entitlement Offer is not underwritten, except that Macquarie has agreed to support the capital raising by committing to subscribe for its full entitlement and additional MAp securities to the extent available, pro rata with other security holders (up to an aggregate amount of approximately 88.3 million MAp securities provided that its voting power does not increase by more than 3% of MAp's issued capital). Macquarie will manage the Entitlement Offer but will not receive any fees for this role.

The MAp Independent Directors believe that the internalisation of management is an important further step towards reducing the gap between the security price and the underlying value of MAp's airports.

There are a number of potential disadvantages and risks associated with the Internalisation set out in section 1.9(b), which you should read. The MAp Independent Directors believe that the benefits of Internalisation outweigh the disadvantages.

The MAp Independent Directors unanimously recommend that security holders vote in favour of the Internalisation.

5 The price at which MAp securities trade on the ASX may rise or fall before the Entitlement Offer is launched and before securities under the Entitlement Offer are issued to security holders who participate.

1. Explanatory Memorandum

1.1 Overview of the Internalisation

On 24 July 2009, MAp announced that it had agreed with Macquarie to internalise the management of MAp, subject to the approval of MAp security holders. The Internalisation will result in MAp becoming standalone from Macquarie with its own management.

MAp is currently an externally managed fund. Typically, an externally managed fund has no employees and is managed by another entity that provides management services (including staff) in return for a fee.

In the case of MAp, the manager is Macquarie. Since MAp listed in 2002, MAp has paid Macquarie base and performance fees totalling $546.6 million. Macquarie provides management services to MAp through two subsidiaries, MAML and MCFEL. MAML makes all decisions for MAT1 and MAT2 (the two Australian trusts) as the responsible entity. MCFEL is the adviser to MAL and makes recommendations to MAL on key decisions and provides it with day to day operational services.

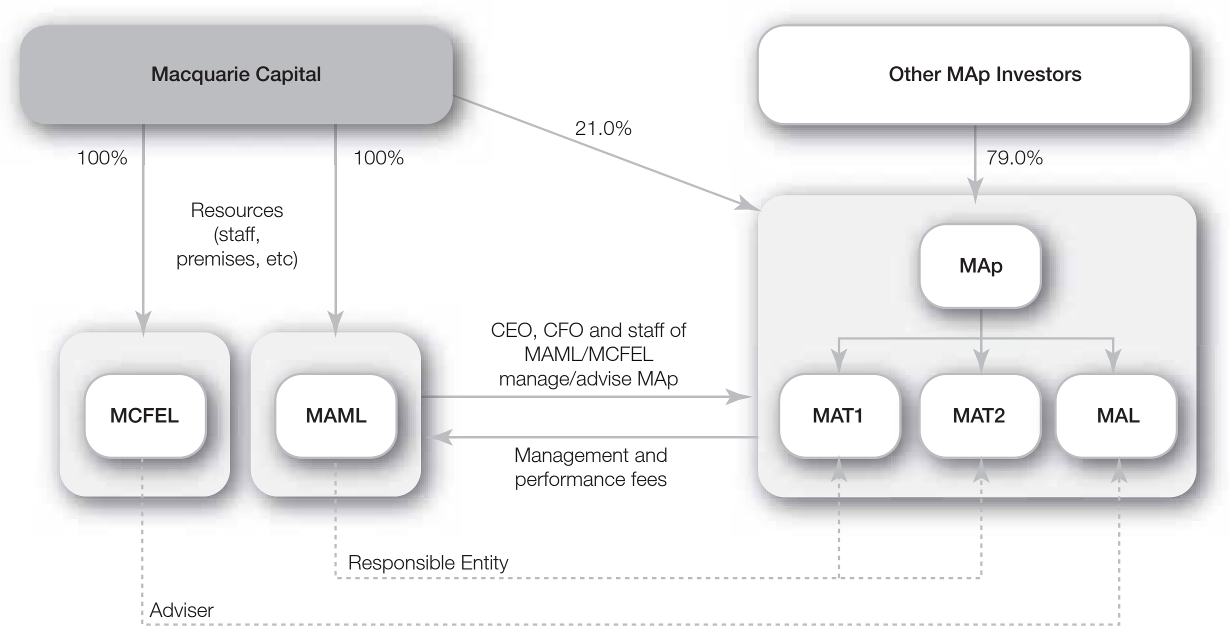
The term "internalisation" describes the change from external management to internal management. The primary change is that as an internally managed entity, MAp will have its own employees, rather than relying on an external provider of management services. Therefore, MAp would no longer pay fees to Macquarie, the current external provider of management services. Instead, MAp will incur the costs of staff and services that were previously provided externally. The boards expect that for MAp these new internal costs will amount to approximately $11.5 million in the first year – which is substantially below the base fee that Macquarie would have received.

The key elements of the Internalisation are:

- MAp will end the management arrangements with Macquarie for $345 million and acquire MAML for nominal consideration;
- the CEO and other members of the MAp management team will become employees of MAp;
- Macquarie will provide transitional services to MAp; and
- Macquarie will provide assistance to MAp and co-operate generally to ensure that implementing the Internalisation complies with the terms of the shareholders' agreements and with the debt facilities relating to MAp's investments in Brussels Airport and Copenhagen Airports.

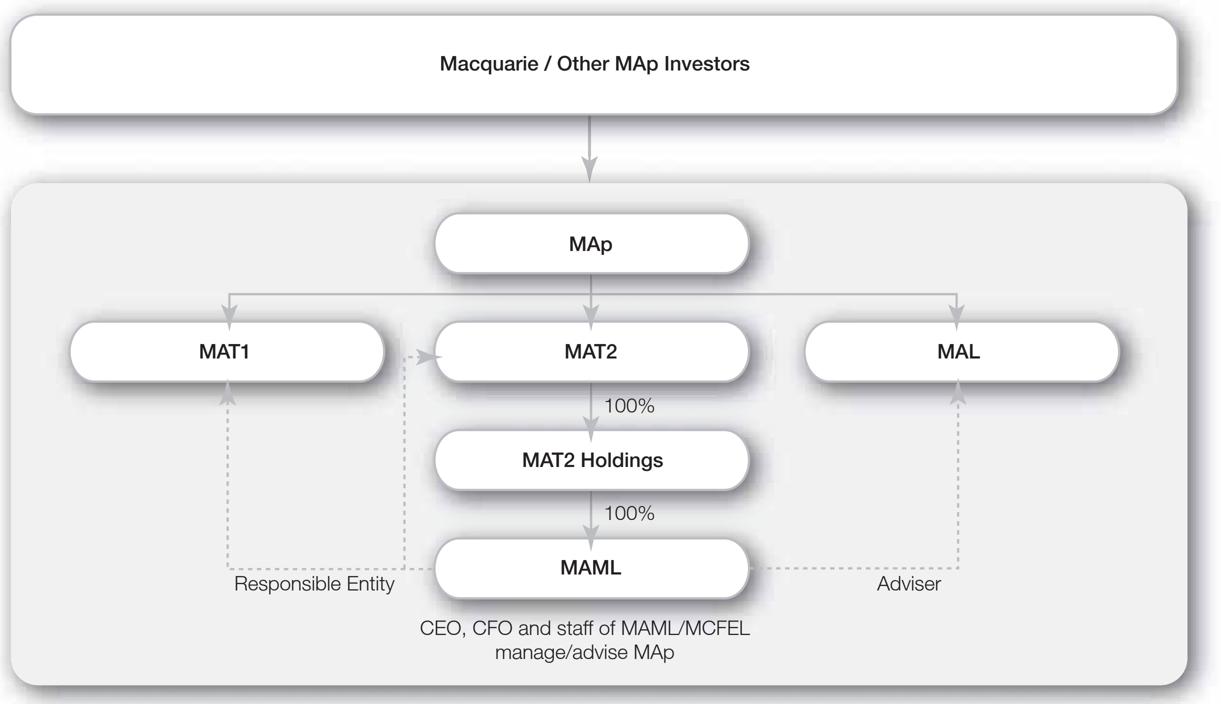
Corporate structure diagrams for MAp, both before and after the Internalisation, are shown below.

Before Internalisation



After Internalisation and the Entitlement Offer

Following the Internalisation, MAML will be indirectly owned by MAT2. A simplified version of this structure is shown below.[6]



1.2 Implementing the Internalisation and summary of resolutions

The Internalisation will be implemented by MAp acquiring MAML and the ending of the role of Macquarie as manager of MAp. In return for co-operating in these arrangements which will end its role as manager of MAp, Macquarie will receive $345 million.

The Internalisation constitutes the acquisition of a substantial asset from a related party. Consequently, the Internalisation is required to be approved by MAp security holders under ASX Listing Rule 10.1.

In addition, Chapter 2E of the Corporations Act, as modified by Part 5C.7, regulates the provision of financial benefits to related parties by responsible entities of registered schemes. In particular, section 208 (as modified by section 601LC) of the Corporations Act prohibits a responsible entity of a registered scheme from giving a financial benefit out of scheme property to a related party without member approval, unless it occurs pursuant to an exception under the Corporations Act. As MAML, as responsible entity of MAT1 and MAT2, is currently owned by Macquarie, and the Internalisation involves the payment to Macquarie of $345 million, the approval of members of MAT1 and MAT2 is being sought under Chapter 2E, concurrently with the approval under ASX Listing Rule 10.1. Further information on this approval is contained in section 1.18.

The Macquarie Group is not permitted to vote on these Resolutions. The terms of the voting exclusions which apply to these Resolutions are contained in the Notices of Meeting.

It will also be appropriate to introduce a governance framework similar to that in place for other ASX listed entities, although recognising MAp's particular circumstances (such as the requirement for two boards). Changes to MAp's constituent documents and additional approvals are proposed to achieve some of these outcomes, including entrenched rights for security holders to appoint directors. Additional approvals include adoption of a new name for MAL and approval of fees to the MAML and MAL Independent Board Committees.

6 On the assumption that the Entitlement Offer completes on 30 October 2009, Macquarie's holding in MAp securities is expected to be in the range of 21.0% - 24.0% (assuming no disposals prior to this date). Other investors are expected to have a holding in MAp securities after completion of the Entitlement Offer in the range of 76.0% - 79.0%.

1. Explanatory Memorandum (continued)

1.3 Rationale for the Internalisation

The MAp boards have implemented a range of initiatives since 2007 with a view to enhancing security holder value. These include asset sales at or above directors' valuations, deleveraging via a withdrawal offer for and subsequent defeasance of TICkETS, reducing the amount of debt at Sydney Airport and the decision to accelerate the alignment of distributions with sustainable earnings. Notwithstanding these initiatives, the MAp boards have continued to consider strategies to improve the security price and reduce the difference between the value of MAp's airport assets and the security price.

As part of this process, Macquarie initiated discussions with the MAp boards in relation to internalising the management of MAp. Although Macquarie currently has a right to appoint all of the directors of MAML, and a right to appoint 50% of the directors of MAL[7], it has given an undertaking to exercise these rights in accordance with a vote by MAp's security holders. The independence of directors is determined and assessed annually in accordance with the requirements of the Macquarie Group Managed Funds policy definition adopted by MAp and described in Annexure 2.

Those directors of MAp who are assessed as independent formed Independent Board Committees to negotiate terms with Macquarie and formulate a recommendation to security holders. Section 1.21 outlines the boards' independence assessment of each director of MAp (which includes the current members of the MAp Independent Board Committees).

The MAp Independent Board Committees consist of the MAp Independent Directors of MAML and MAL:

- the MAML Independent Board Committee comprises Trevor Gerber (Chairman), Robert Morris and The Hon. Michael Lee; and
- the MAL Independent Board Committee comprises Stephen Ward (Chairman) and Jeffrey Conyers.

To ensure MAp security holders' best interests were advanced on an independent basis, the boards of MAML and MAL also adopted a protocol to govern their conduct in relation to consideration of the proposal and any alternatives and to manage any conflicts that may exist or arise between MAp and Macquarie. In particular, the protocols require the MAp Independent Directors, consistent with their statutory duties, to act in the best interests of MAp security holders and to prefer the interests of MAp security holders in the case of any conflict with the directors' own interests or those of Macquarie. Furthermore, the MAp Independent Board Committees engaged Grant Samuel as financial adviser, Allens Arthur Robinson as legal adviser and KPMG Corporate Finance (Aust) Pty Ltd as the Independent Expert.

1.4 Consideration of alternatives by MAp Independent Directors

The consideration comprises a cash payment to Macquarie of $345 million to be funded via MAp's cash reserves. It is intended that the Entitlement Offer, which MAp will conduct if the Internalisation is approved, will partially or fully replenish MAp's cash reserves.

In evaluating the various alternatives, the MAp Independent Directors considered whether it would be preferable simply to make a cash payment to Macquarie rather than funding the payment through a capital raising. At 19 August 2009, MAp had cash reserves of approximately $780 million, and therefore, this option was a possibility. However, the MAp Independent Directors weighed a number of factors in reaching the conclusion that it would be preferable to preserve cash via a capital raising (if the Internalisation proceeds), including the prudence of maintaining a strong cash position in light of current debt market conditions, operational uncertainty in the current economic environment and other cash requirements such as the potential for any cash payment to be made in respect of the GIF2 Option, as further discussed below in section 1.10 (assuming the GIF2 Option is exercised and MAp has made an election to pay cash rather than issue securities).

7 MAML as responsible entity of MAT1 has the right to appoint 25% of the MAL Board.

The MAp Independent Directors also considered whether other forms of raising capital to fund the Internalisation payment would be more beneficial to MAp, including the previous proposal announced on 24 July 2009 of issuing securities only to Macquarie. Following consideration and after feedback from investors, it was determined that, in the circumstances, the Entitlement Offer would present the most equitable way of raising capital as it provides all eligible MAp security holders, both institutional and retail, with the ability to participate. The Entitlement Offer has a number of advantages, including:

- facilitating broad participation by MAp security holders in the offer, which will enable them to avoid being diluted if they elect to take up their holdings;
- enabling MAp security holders to apply for additional MAp securities in excess of their holdings if they wish (and to the extent there is any shortfall); and
- agreement by Macquarie to support the Entitlement Offer by committing to subscribe for its full entitlement and additional MAp securities to the extent available, pro rata with other security holders (up to an aggregate amount of approximately 88.3 million securities). Macquarie will manage the Entitlement Offer but not receive any compensation for this service.

In addition, the MAp Independent Directors considered whether, as an alternative to the current proposal, MAML should retire as responsible entity following a majority vote of MAp's security holders, in which case the management arrangements with Macquarie would be terminated without any payment being made to Macquarie. The reasons for not adopting this approach, and the advantages of effecting the Internalisation in the manner agreed with the assistance of Macquarie, are addressed in section 1.7.

One consequence of terminating the management arrangements is that the directors could cease to hold office as directors of the responsible entity of MAp and this possibility may create the perception of a potential conflict of interest. The MAp Independent Board Committees managed this potential conflict by acting in accordance with the conflict protocols referred to in section 1.3 and by engaging external advisers.

Ultimately, a decision on whether the Internalisation ought to be approved is a matter for the MAp security holders. In making their recommendations, the MAp Independent Board Committees believe that the Internalisation proposal is superior to the other alternatives considered, including attempting to remove Macquarie as manager without a payment or funding the Internalisation payment via issuing securities to Macquarie. The MAp Independent Board Committees believe the Internalisation proposal is in the best interests of MAp security holders.

1.5 MAp Independent Directors' recommendation

The MAp Independent Directors consider the Internalisation to be in the best interests of security holders and unanimously recommend that security holders vote in favour of the Resolutions. In making this recommendation, the MAp Independent Directors have, in particular, considered the following:

- the additional costs MAp will have to pay for internal management compared to the ongoing base fees that MAp may be required to pay to Macquarie as manager if the Internalisation is not approved;
- the ongoing potential for future performance fees MAp may be required to pay to Macquarie as manager if the Internalisation is not approved;
- the key benefits, disadvantages and potential risks of the Internalisation, as discussed further in section 1.9; and
- the opinion of the Independent Expert that the Internalisation is fair and reasonable from the perspective of the non-associated security holders. You can read the MAp Independent Board Committees' commentary on the Independent Expert Report in section 1.11 and a full copy of the Independent Expert Report is contained in Annexure 1.

1. Explanatory Memorandum (continued)

1.6 Funding the Internalisation

(a) Features of the Entitlement Offer

If the Internalisation is approved by MAp security holders, the payment to Macquarie of $345 million will be funded from MAp's cash reserves. It is intended that those cash reserves will be partially or fully replenished via the Entitlement Offer.

The Entitlement Offer has the following features:

- Eligible retail security holders in MAp with a registered address in Australia or New Zealand will be entitled to subscribe for 1 new MAp stapled security for every 11 MAp stapled securities held as at the record date for the Entitlement Offer.
- Eligible institutional security holders in MAp with a registered address in Australia or New Zealand, or other jurisdictions where it is determined to be reasonable to make the offer (having regard to, among other things, compliance with foreign securities laws), will be entitled to subscribe for 1 new MAp stapled security for every 11 MAp stapled securities held as at the record date for the Entitlement Offer.
- It is expected that the record date will be 12 October 2009.
- The Entitlement Offer is non-renounceable. This means that if a MAp security holder does not take up their entitlement, it will lapse and their MAp security holding will be diluted to the extent that other MAp security holders take up their entitlements and/or any shortfall.
- MAp will issue up to 155.1 million new stapled securities. New securities issued under the Entitlement Offer will rank equally with existing MAp stapled securities.
- The issue price for each new stapled security will be $2.30, which reflects the 10 day VWAP of MAp securities up to 23 July 2009 (being the day before MAp announced the Internalisation).

MAp has flexibility to amend the offer structure and timetable for the Entitlement Offer through agreement with Macquarie. Accordingly, some of the features described in this section 1.6 may change.

(b) Allocation policy and oversubscription mechanism

All eligible MAp security holders who apply for all or part of their entitlement will, at a minimum, have their application satisfied up to their entitlement, unless all or part of the Entitlement Offer is withdrawn. An eligible MAp security holder's entitlement is their pro rata share of the total number of new MAp securities proposed to be issued under the Entitlement Offer (Pro Rata Share) calculated as at the record date.

Eligible MAp security holders may also apply for more than their entitlement under the offer. Eligible MAp security holders who apply for additional new MAp securities will participate in any "shortfall" which is available after the allocation of entitlements to each eligible MAp security holder who has applied for all or part of their entitlement under the offer.

The basis on which MAp securities will be allocated to those eligible MAp security holders who make an application for additional new MAp securities in excess of their entitlement is explained below.

If not all eligible MAp security holders take up their entitlement in full, there will be a shortfall between actual applications received for entitlements and the approximately 155.1 million new MAp securities proposed to be issued under the Entitlement Offer. Each eligible MAp security holder will be entitled to apply for the MAp securities which form the shortfall. If applications exceed the available number of MAp securities in the shortfall then the allocation will be determined on a pro rata basis (subject to the limit on Macquarie's participation outlined below).

If an eligible MAp security holder has applied to participate in the oversubscription process described above but has specified a maximum oversubscription amount which is less than the amount of new MAp securities which the MAp security holder would otherwise be allocated under this process, the allocation to that eligible MAp stapled security holder will be at the lesser amount.

While MAp security holders are assured of obtaining their entitlement, subject to the terms of the Entitlement Offer, the allocation of oversubscriptions for which they apply will depend on there being a sufficient shortfall available to satisfy their application in whole or in part on a proportionate basis. If there is not a sufficient shortfall available to satisfy applications in full, eligible MAp security holders will be allocated new MAp securities only to the extent of their proportionate allocation (based on their Pro Rata Share as at the record date) of the shortfall.

(c) Macquarie's participation in the Entitlement Offer

Macquarie has committed to MAp that it will participate in the Entitlement Offer by:

- taking up its full pro rata entitlement;
- to the extent that other eligible MAp security holders have not taken up their entitlements, participating in the shortfall on the same basis as other eligible MAp security holders provided that following the Entitlement Offer, Macquarie Group's voting power will not be more than 3 percentage points higher than its voting power 6 months before the allotment under the Entitlement Offer – this is to ensure that Macquarie Group's voting power in MAp following the Entitlement Offer does not exceed the level that would be permitted under item 9 of section 611 (the "3% creep rule") of the Corporations Act. This means that in the event that 155.1 million securities are issued under the Entitlement Offer, Macquarie will subscribe for up to a maximum of approximately 88.3 million MAp securities;
- acting as the exclusive manager of the Entitlement Offer. Although it will be entitled to be reimbursed for its reasonable expenses incurred in acting as manager, up to a cap of $20,000, Macquarie will not receive any fee for the services it performs as manager. Macquarie would not be acting as underwriter to the Entitlement Offer.

It is possible that Macquarie Group will increase its voting power and relevant interest in MAp as a result of the Entitlement Offer. Refer to section 1.20.

(d) Foreign holders participation in the Entitlement Offer

For foreign holders of MAp securities who are eligible to participate in the Entitlement Offer, the acquisition by them of new MAp securities under the Entitlement Offer will be subject to the foreign ownership limits set out in the MAp constitutions. As at 28 August 2009, MAp's foreign ownership level was 42.4% excluding the beneficial impact of TICkETS. As TICkETS will be redeemed at the end of 2009, if MAp's foreign ownership remains in excess of 39.5% at that time, foreign security holders could be at risk of being required to divest some or all of their holdings. This could include securities acquired under the Entitlement Offer.

It is intended that a nominee sale facility will be available to all ineligible security holders. This would permit foreign security holders who are ineligible to participate in the Entitlement Offer to receive the net proceeds of sale of those securities that they would otherwise have been issued, if they accepted the offer. The securities that would have been issued to ineligible foreign security holders will be issued to the nominee who will sell the securities and distribute the net proceeds accordingly after deducting costs.

(e) Documentation for the Entitlement Offer

Documentation relating to the Entitlement Offer will be sent to eligible MAp security holders shortly after the meetings if the Internalisation is approved. This information will contain further details regarding:

- the structure of the offer;
- who is eligible to participate;
- the dates for the offer; and
- a personalised entitlement and acceptance form.

This Explanatory Memorandum is not an offer document in relation to the Entitlement Offer. MAp security holders should consider the offer documents which will be sent to them before deciding whether to participate in the Entitlement Offer. Anyone who wishes to acquire MAp securities under the Entitlement Offer will need to complete the application form that will be in, or will accompany, the offer documents.

1. Explanatory Memorandum (continued)

1.7 Macquarie's assistance in internalising management

As discussed in section 1.4, one alternative considered by the Independent Board Committees was the retirement of MAML as the responsible entity, and termination of the management arrangements, without making any payment to Macquarie. This proposal would require an ordinary resolution of MAp security holders but it would also mean that Macquarie would need to agree to MAML retiring.

Alternatively, security holders with at least 5% of the votes that may be cast at a general meeting of MAp security holders, or at least 100 MAp security holders, would need to requisition a meeting and propose a resolution to remove MAML. Under this alternative, Macquarie Group would be entitled to use its 22.8% voting power to vote against the proposal.[8] In practice, Macquarie Group's effective voting power is likely to be higher than 22.8% given that not all security holders vote at meetings.

Such a proposal would also have the following consequences in respect of MAp and its airport assets:

- The existing management team, with its unique set of knowledge and expertise, would remain employed by Macquarie and there would be no guarantee that employees would leave Macquarie to join a standalone MAp.
- MAp would need to immediately source its own facilities and services, giving rise to immediate business and operational risks if these could not be quickly sourced in both Sydney and London.
- There is a risk that certain change of control provisions applicable to MAp's investments would be triggered. Change of control provisions form part of infrastructure financing facilities where lenders require confidence regarding the identity and commercial and strategic approach of the borrower. The potential implications for MAp if these change of control provisions are triggered include pre-payment of debt facilities and significant additional costs to MAp and co-shareholders through, for example, needing to refinance debt at higher margins than those which currently apply. It should be noted that MAp has notified lenders of the Internalisation Proposal where required.

In particular, debt facilities relating to Brussels and Copenhagen airports might otherwise be breached, potentially resulting in renegotiation of the terms of the facilities or early repayment of outstanding amounts. The participation of approximately 40 banks in facilities totalling approximately $4.0 billion highlights the challenges involved in potentially refinancing these facilities in debt markets that are still regarded as challenging even for investment grade borrowers.

If one or more of the debt facilities were refinanced at this time then there would likely be a substantial increase in margins, refinancing fees would be incurred, and banks would almost certainly require the involvement of the experienced MAp management team currently employed by Macquarie. With increases in interest margins of 3-4% relative to the margins that apply to the existing facilities, the increased financing costs would be substantial.

In addition, it is possible that further equity may need to be contributed by MAp and its co-investors because an equivalent amount of debt may not be available from lenders to refinance the existing debt facilities.

8 Some of the 1.8% of MAp securities in which Macquarie has a relevant interest but does not hold (ie. 22.8% less 21.0%) are held by other Macquarie Group members and Macquarie does not control the voting rights attached to those securities (for example, because they are held as trustee).

Macquarie and its managed funds have co-operated with MAp to ensure that these repercussions do not occur, as described below. The Independent Directors consider the assistance provided by Macquarie and its managed funds is effective in ensuring change of control provisions in the debt facilities are not triggered. This co-operation is essential to ensure that MAp can transition to the preferred internal management model.

- Macquarie has agreed to facilitate the transfer of employment of the MAp management and, where necessary, to second personnel to MAp in the six months after Internalisation to ensure MAp has the experience and capability of the existing management team and the resources necessary to transition to a standalone model.

  It should be noted that Macquarie employees who have received profit share allocations in prior years are typically subject to an arrangement whereby a proportion of such allocations are retained for a number of years and released under certain circumstances including continued employment with Macquarie. This arrangement is a mechanism by which Macquarie is able to incentivise its employees to remain with Macquarie. To facilitate the transfer of employees under the Internalisation, Macquarie is transferring cash to MAp that is equivalent to these retained profit share allocations for the benefit of transferring employees. In addition, Macquarie is making a cash payment to MAp to reflect leave and continuity of service related benefits accrued by transferring employees.

  Furthermore, Macquarie has agreed not to seek to re-employ any MAp employee for 18 months after the Internalisation.
- Macquarie has entered into a Transitional Services Agreement with MAp to provide information technology, premises, compliance and risk management assistance, human resources support and accounting and taxation support services for a period of up to 12 months after the Completion Date.
- Macquarie has agreed to maintain its existing advisory agreement in relation to Brussels Airport to ensure there is no breach of the Brussels Airport shareholders' agreement that requires Macquarie to advise the consortium vehicle until 2014. Furthermore, Macquarie has agreed to waive its entitlement to receive fees from MAp in respect of these services (this waiver also applies to any party MAp may sell its investments to in the future). If Macquarie did not provide this fee waiver, those fees (including the future liability to pay those fees) could significantly impact MAp's earnings, particularly the performance based fees in the context of a sale of MAp's stake in Brussels Airport, and the value of MAp's investment in Brussels Airport if MAp were to sell its investment.
- Macquarie has also agreed to waive its entitlement to receive fees from MAp (and any future owner) in respect of services provided by Macquarie under its existing advisory agreement to the consortium vehicle that owns MAp's investment in Copenhagen Airports.
- To address the potential for change of control clauses in relation to the debt facilities at Brussels and Copenhagen airports to be triggered, Macquarie and its managed funds have agreed to modify the shareholding arrangements so that there is no change of control. These modifications avoid the adverse consequences that could arise if a refinancing was required as a result of a change of control.
- To address the potential for change of control clauses in relation to the debt facilities at Brussels and Copenhagen airports to be triggered, Macquarie and its managed funds have agreed to modify the shareholding arrangements so that there is no change of control. In relation to Brussels Airport, under the debt documents, a Macquarie entity cannot cease to control the relevant holding company and therefore the shareholders of the holding company have agreed to change the shareholding arrangements to ensure that this condition is not breached following the Internalisation. In relation to Copenhagen Airports, under the debt documents, a Macquarie entity cannot cease to control the relevant holding company and therefore Macquarie has agreed to acquire a shareholding in the company to ensure that this condition is not breached following the Internalisation. These modifications avoid the adverse consequences that could arise if a refinancing was required as a result of a change of control.

1. Explanatory Memorandum (continued)

- Additionally, other Macquarie managed funds have agreed to waive their pre-emptive rights on a change of control of MAML.
- Macquarie has entered into a Facilitation Deed Poll for a period of six months following completion of the Internalisation. Under this deed, subject to MAp and the entities through which it invests undertaking or participating in any reasonable mitigation strategies to the maximum extent possible, Macquarie has agreed to make an adjustment to the payment MAp is to make to Macquarie under the Internalisation of up to $100 million if costs are incurred in relation to the change of control arrangements contained in the debt facilities of Brussels Airport and in respect of the holding company through which Macquarie managed funds invest in Copenhagen Airports as a result of the Internalisation. If required, Macquarie will assist MAp in managing any potential issues arising from these change of control arrangements as a result of the Internalisation.

The MAp Independent Board Committees have viewed each of these advantages in light of a responsible entity's obligation under the Corporations Act to give any books in its control or possession to the new responsible entity and give other reasonable assistance to the new responsible entity to facilitate the change. However, the adverse repercussions described above would still occur, notwithstanding that obligation.

Taking these matters into account, the MAp Independent Board Committees considered that the co-operation of Macquarie and its managed funds in effecting the Internalisation was both essential and the alternative that would best serve the interests of security holders.

1.8 Internalisation payment considerations

The payment to Macquarie of $345 million has been analysed by the MAp Independent Directors by reference to a base fee of $42 million per annum. The base fees for MAp in future periods will be dependent on MAp's future security prices and market capitalisation. The MAp Independent Directors have chosen a base fee estimate of $42 million based on:

- the consensus broker price target for MAp prior to the announcement of the Internalisation was $2.84 and is currently $2.85. At these prices, the base fees would be approximately $44 million per annum. These base fees would increase if MAp's cash balances are utilised. If all cash balances were to be utilised, the base fee would be in excess of $50 million at those prices; and
- the improved outlook for equity markets and the aviation industry generally and for MAp's airport investments specifically, which would be expected to result in higher fees paid to Macquarie in future years. MAp's business plans for its airports reflect an expectation for recovery in traffic and earnings performance in the short to medium term.

The MAp Independent Directors consider the estimate is reasonable given the external validation of broker consensus and the MAp boards' view regarding improved outlook.

Furthermore, the base fee estimate of $42 million compares to base fees for the year ended 31 December 2008 of $42 million and the average base fee since 2003 of $44 million per annum. However, historically, management fees paid to Macquarie were significantly higher than $42 million as set out in section 1.9(a). For example, in 2006 and 2007, MAp paid Macquarie base fees of $57.7 million and $75.4 million respectively. In this context, the selection of $42 million as the base fee estimate could be considered conservative and also takes into account some of the more negative sentiment towards externally managed funds, which may have a negative impact on the prevailing price of MAp securities and therefore reduce the level of management fees that would be paid to Macquarie.

Estimated incremental earnings per annum (excluding performance fees) from internalisation[9] are:

	$ millions
Base fees	42.0
Performance fees	0.0
Fees from external investors previously paid to Macquarie	1.6
Additional costs of internal management	(11.5)
Incremental earnings	32.1

Net present value of incremental annual earnings:

The table below sets out the net present value estimates of incremental earnings considered by the MAp Independent Directors. The table considers scenarios where future performance fees become payable. Although the historical average for performance fees is $39 million per annum, the table assumes illustrative performance fees of $20 million per annum given the variable and sporadic nature of such payments over time.

Earnings multiple:

The payment to Macquarie represents a multiple of 10.7 times the increase in earnings resulting from Internalisation (assuming no future performance fees) and 6.6 times the increase in earnings assuming an average performance fee of $20 million per annum.

Potential for performance fees:

- $255.4 million in performance fees have been paid by MAp to Macquarie since listing in 2002
- Future performance fees are likely to be sporadic but possibly large
- At 30 June 2009, the MAp security price was $2.31. A performance fee would have been payable if the security price had exceeded $2.46.
- An estimate of potential performance fees payable at 31 December 2009, assuming MSCI benchmark accumulation index growth at 9% pa (4% capital growth and 5% yield) is shown below. Under these assumptions, the 15 trading day average of the accumulation index for MAp securities to 31 December 2009 would need to be equivalent to an ex-dividend security price of $2.66 for Macquarie to earn a performance fee. At prices below this amount, a performance fee deficit would exist.

Net Present Value of Incremental Earnings	Equity Discount Rate		
($m)	12.0%	12.5%	13.0%
Base fees only, growth 6.5%	374	348	325
Base fees only, growth 8.5%	561	508	464
Base and performance fees, growth 6.5%	608	566	529
Base and performance fees, growth 8.5%	897	813	743

Assumptions:

- 10 year cash flow after 30% tax (although based on current forecasts MAp is not expected to pay tax for some time)
- initial base fees of $42 million
- growth in fees:
  - low case 6.5% per annum with terminal growth of 5%
  - high case 8.5% per annum with terminal growth of 7%
  - these growth rates are considered reasonable having regard to broker price targets for MAp, the gap between current trading prices and net asset value, the long term growth prospects for the aviation sector (which remain strong) and MAp's strategy of actively managing its airport portfolio for higher returns
- external fees previously paid to Macquarie of $1.6 million per annum
- additional costs of internal management of $11.5 million with growth of 5.0% per annum
- one-off implementation costs $7 million

9 The interest revenue foregone from a payment of $345 million in cash has been excluded from this analysis on the basis that a broadly equivalent amount of cash is likely to be raised by MAp pursuant to the Entitlement Offer.

1. Explanatory Memorandum (continued)

Potential performance fee at 31 December 2009	
15 Day Average Trust Index (share price equivalent)	Performance Fee
$2.30	nil
$2.40	nil
$2.50	nil
$2.60	nil
$2.70	$14.1 million
$2.80	$49.6 million
$2.90	$85.2 million
$3.00	$120.8 million

- The figures in the table are hypothetical only and based on the following assumptions:
  - MAp security prices of $2.30 - $3.00 to calculate performance fees selected for illustrative purposes only
  - MAp distribution of 8¢ per stapled security in the 6 month period to 31 December 2009

- Potential performance fees over 10 years of $234 million if the MAp security price grows at 2.5% per annum faster than the capital growth in the MSCI benchmark index.

Other considerations

- Other transactions have been considered, although there are very few, if any, transactions that are directly comparable.
- Based on these benchmarks, the Independent Directors regard the payment to Macquarie as reasonable.

1.9 Matters to consider in deciding how to vote on the Resolutions

(a) Transaction benefits

The MAp Independent Directors consider the Internalisation is an important further step in addressing the difference between the MAp security price and the underlying value of MAp's airport assets. The main benefits of the Internalisation are:

- Eliminating the base fees and performance fees payable to Macquarie

  The constitutions of MAT1 and MAT2 and the MAL Advisory Agreement provide that MAp pays ongoing base fees to Macquarie for management services provided by MAML and MCFEL respectively to the entities.

  MAp has paid annual base fees to Macquarie averaging $44 million a year in the six and a half years to 30 June 2009. It has also paid performance fees in some years, totalling $255.4 million. In total, it has paid $546.6 million in base and performance fees to Macquarie.

  The way the fees are calculated is summarised below.

Base Fees* When calculated: Quarterly Basis of calculation: 1.5% of the first $500 million of market value**; plus 1.25% of the next $500 million in market value; plus 1% of any market value in excess of $1 billion. Payment hurdle: none * Further detail on these fees is contained in MAp's annual report and on MAp's website ** The basis for market value is market capitalisation plus borrowings plus commitments minus cash minus MAp's interest in Bristol Airport (Bermuda) Limited
Performance Fees* When calculated: Half Yearly Basis of calculation: 20% of the net dollar amount by which MAp outperforms the MSCI World Transportation Infrastructure Accumulation Index since the prior period Payment hurdle: Before any performance fees can be earned, all accumulated deficits from any prior periods of underperformance must be eliminated * Further detail on these fees is contained in MAp's annual report and on MAp's website

Base and performance fees paid by MAp to Macquarie since listing:

Year ending 31 Dec ($m)	2002 (from April listing)	2003	2004	2005	2006	2007	2008	2009 (6 months)	Total
Base fees	4.3	13.8	28.9	54.3	57.7	75.4	42.0	14.8	291.2
Performance fees	-	0.8	217.4	37.3	-	-	-	-	255.4
Total fees	4.3	14.6	246.3	91.6	57.7	75.4	42.0	14.8	546.6

Under the Internalisation, the ongoing liability for base and performance fees to be paid to Macquarie will cease from Completion and relevant amounts will (after deduction of costs) be retained by MAp for reinvestment or returned to MAp security holders as part of future distributions. In addition, from Completion, an annual management fee of approximately $1.6 million that is currently being paid to Macquarie (after deduction of costs) for the management of other investors' interests in airports in which MAp has an interest will be paid to MAp.

While MAp will incur additional costs as a result of internalised management, the MAp Independent Directors believe that the anticipated savings to MAp of removing the ongoing liability to pay fees to an external manager, plus the additional fees referred to above, will substantially outweigh the anticipated additional costs (see section 1.9(b) below).

- Standalone Entity

  MAp will become a standalone entity, separate from Macquarie and its associates, and the internalised management team will implement its stated investment strategy. Furthermore, MAp will have direct control of management costs.

- Removal of investor concerns regarding an externalised management model

  As Internalisation means Macquarie's management relationship with MAp will cease, it should remove investor concerns generally associated with externally managed listed funds.

- Management team focussed solely on MAp

  The individuals who currently manage MAp are employed by Macquarie and perform a range of functions for Macquarie. The MAp Independent Directors believe implementing the Internalisation will:

  — result in a management team that is focussed solely on MAp's airport investments and its business strategies; and

  — better align accountability of employees as they will be remunerated directly by MAp.

- Ability to attract a wider range of investors

  Internalised Structure

  Under the Internalisation, MAp will cease to be externally managed. The MAp Independent Directors believe that this has the potential to attract new investors to MAp that may previously have been unable to invest in an externally managed entity or were reluctant to do so.

  Disaggregation

  To the extent that institutional investors aggregate investments in Macquarie managed funds and the Macquarie Group for the purposes of assessing concentration risk, the Internalisation will remove MAp from this grouping and may increase their willingness to invest in MAp.

1. Explanatory Memorandum (continued)

- Clearer control over representation on the boards of MAML and MAL

  Currently, Macquarie has the right to appoint 50% of the directors of MAL[10] and all of the directors of MAML. Macquarie has given an undertaking until December 2011 to exercise these rights in accordance with a vote by MAp security holders. However, there is no certainty that Macquarie will extend its undertaking beyond December 2011.

  Macquarie's rights to appoint directors (other than any rights it will have as a holder of MAp securities) and the undertaking described above will fall away if the Internalisation is implemented. As described in section 1.13, Mr John Roberts will join the MAML board on Completion. He intends to stand for election at the next AGM.

  As described in section 1.13, if the Internalisation is implemented, MAp proposes to institute a corporate governance framework which, amongst other things, will entrench the right of MAp security holders to appoint MAp directors. See section 1.13 for a description of the director appointment process.

- Ability to participate in the Entitlement Offer

  Since the Internalisation was announced on 24 July 2009, a number of MAp security holders have indicated a desire to participate in a capital raising and the Entitlement Offer provides that opportunity. Eligible MAp security holders will be able to increase their holdings in MAp securities on a pro rata basis and may also apply to take up additional new MAp securities which are not taken up by other eligible MAp security holders.

  The Entitlement Offer price of $2.30 represents a discount of approximately 12% to the closing price of $2.60 on 28 August 2009 (the date the Entitlement Offer was announced).[11]

  Eligible MAp security holders who elect to take up their full pro rata entitlement in the Entitlement Offer will be able to avoid being diluted.

- Balance sheet strength and flexibility

  The Entitlement Offer will assist MAp to fund the payment to Macquarie of $345 million as consideration for the Internalisation and, therefore, allow MAp to maintain a strong cash position and a flexible balance sheet. The MAp Independent Directors believe this achieves a prudent outcome in light of current debt market conditions, operational uncertainty in the current economic environment and other cash requirements, such as the potential requirement for any cash payment to be made in respect of the GIF2 Option, as further discussed below in section 1.10.

- Greater potential for a control transaction

  After Internalisation, MAp may be regarded as more likely to be the subject of a control transaction and this may have some positive impact on the security price. Any takeover transaction will need to comply with the foreign ownership limits imposed by the *Airports Act 1996* (Cth) and the terms of the existing shareholders' agreements and debt documents.

  As with any takeover, any future potential acquirer of MAp securities will need to take into account the position of substantial shareholders, including Macquarie.

10 MAML as responsible entity of MAT1 has the right to appoint 25% of the board.

11 The price at which MAp securities trade on the ASX may rise or fall before the Entitlement Offer is launched and before securities under the Entitlement Offer are issued to security holders who participate.

(b) Disadvantages and potential risks

Factors that may be viewed as disadvantageous include:

- Additional costs to the account of MAp

  If the Internalisation is implemented, MAp will incur additional annual costs associated with internalised management that have been estimated at approximately $11.5 million in the first year. The additional annual costs that will be incurred if the Internalisation proceeds are anticipated to be substantially less than the savings achieved from ceasing to pay base and performance fees to Macquarie (for example, base fees were $42 million for the year ended 31 December 2008).

  MAp will also incur one off external transaction and implementation costs estimated at approximately $6 – 8 million. The one-off costs are in addition to those costs incurred by MAp as part of its normal operations. In 2008, those normal operating costs were approximately $10 million. The MAp Independent Directors believe the one-off costs are reasonable in view of the likely increase in MAp's future earnings due to the elimination of the management fees paid externally to Macquarie and receipt of additional fees by MAp.

- Loss of access to first rights of refusal on new airport investments and Macquarie's networks

  Currently, MAp has a first right of refusal to invest in airport opportunities identified by Macquarie ahead of other Macquarie managed entities. These arrangements will be terminated if the Internalisation is implemented and MAp's first right of refusal to airport investment opportunities sourced by Macquarie will fall away. An existing or new Macquarie managed fund could compete in the market against MAp for airport assets that become available.

  There is a risk that these factors may lead to a possible reduction in access to new investment opportunities. However, it is expected that MAp will continue to access investment opportunities as a result of its position as a leading airport owner and operator. In addition, external advisers are likely to continue to refer opportunities to MAp for its consideration.

  Furthermore, MAp will lose its ability to access Macquarie's networks where currently MAp is able to access the knowledge and experience within the broader Macquarie advisory group.

- No certainty that internalisation of management will improve the market rating or security price of MAp securities

  One of the key objectives of the Internalisation is to grow value for all security holders by addressing the gap between the MAp security price and the value of MAp's airports. While the MAp Independent Directors believe that the Internalisation will improve the market rating of MAp securities, there is no guarantee that the MAp security price will increase. Furthermore the MAp security price may be affected by other factors that are unrelated to the Internalisation such as performance of the underlying airport assets and movements in the overall equity markets.

- Specific considerations in respect of Brussels Airport and Copenhagen Airports

  MAp, Macquarie and its managed funds have agreed certain arrangements in order to ensure that the terms, including change of control provisions of the debt facilities and shareholder agreements applicable to MAp's investments in Brussels Airport and Copenhagen Airports, are not adversely affected as a result of the Internalisation. If any of MAp, Macquarie or Macquarie's managed funds do not give effect to those arrangements, the Internalisation may not proceed.

- Dilution due to Entitlement Offer

  The issue of 155.1 million new MAp securities through the Entitlement Offer which MAp proposes to conduct to fund the payment of $345 million to Macquarie may result in the interests of some MAp security holders being diluted. The dilution of MAp security holders will depend on the extent to which they participate in the Entitlement Offer. Eligible MAp security holders who elect to take up their full pro rata entitlement in the Entitlement Offer will be able to avoid being diluted.

1. Explanatory Memorandum (continued)

- Potential for increased control by Macquarie

  As Macquarie has agreed to support the capital raising by committing to take up its full entitlement and participate in any shortfall under the Entitlement Offer on the same terms as other eligible security holders who elect to participate in the shortfall, it is possible that Macquarie Group will increase its voting power and relevant interest in MAp. However, as mentioned in paragraph 1.6(c), immediately following the Entitlement Offer, in no event will Macquarie Group's voting power be more than 3 percentage points higher than its voting power 6 months before the allotment under the Entitlement Offer. Assuming the MAp securities issued under the Entitlement Offer are allotted on 30 October 2009 (as set out in the indicative timetable on page 3) then:

  — Macquarie's holding in MAp securities could increase from 21.0% to a maximum of 24.0%[12] immediately following the issue of MAp securities under the Entitlement Offer (assuming no disposal prior to that date); and

  — Macquarie Group's total relevant interest and voting power (including Macquarie's holding) could increase from 22.8% to a maximum of 25.7%[13] immediately following the issue of MAp securities under the Entitlement Offer (assuming no disposal prior to that date).

  The increase of Macquarie Group's voting power to a maximum of 25.7% following the Entitlement Offer could mean that Macquarie's voting power would, so long as it maintains a security holding above 25%, enable it to block special resolutions proposed by MAp (where Macquarie votes on the relevant resolution). With voting power of 22.8% prior to the Internalisation, Macquarie Group may already have practical capacity to block special resolutions in relation to which it is able to vote.

The MAp Independent Directors believe that the benefits of the Internalisation outweigh its disadvantages.

12 Macquarie's holding was 21.0% on 30 April 2009 (being 6 months before the indicative allotment date of the MAp securities under the Entitlement Offer). Relative to its voting power as at 3 September 2009, Macquarie would only be able to increase its voting power by a further 2.9% under the "3% creep rule".

13 Macquarie Group's total relevant interest and voting power (including Macquarie's holding) was 22.7% on 30 April 2009 (being 6 months before the indicative allotment date of the MAp securities under the Entitlement Offer). Relative to its voting power as at 3 September 2009, Macquarie Group would only be able to increase its voting power by a further 2.9% under the "3% creep rule".

(c) Tax implications

There should be no material adverse effect on the tax position of MAp as a result of the Internalisation. A portion of the $345 million paid to Macquarie will be tax deductible over a period of 5 years, and a portion will comprise the cost base in shares acquired by MAp companies. Under current forecasts, the MAp stapled entities and wholly owned subsidiaries of MAp are not expected to pay tax for a number of years (though tax may be paid at the underlying asset level).

1.10 Effect of the Internalisation

The effect of the Internalisation will be:

- to end MAp's management arrangements with Macquarie;
- to eliminate the base fees MAp pays to Macquarie and any future liability of MAp for performance fees to Macquarie;
- MAp will make a cash payment to Macquarie of $345 million. It is intended that this amount will be raised in the subsequent Entitlement Offer in order to preserve MAp's cash reserves;
- MAp receiving fees of $1.6 million per year which are currently paid to Macquarie in relation to other investors' interests in airports in which MAp has an interest;
- the proposed transfer of members of MAp's management team, including Kerrie Mather, MAp's Chief Executive Officer, from employment by Macquarie to employment by MAp;
- MAp's transition to internal management with the support of Macquarie under a 12 month Transitional Services Agreement;
- MAp paying one-off external transaction costs;
- to introduce a new corporate governance framework for MAp, as described in section 1.13;
- MAp taking on additional ongoing costs of internal management; and

- to trigger a right, but not the obligation, of one of MAp's co-investors in Brussels Airport being another Macquarie managed fund (***GIF2***) to sell its 3% stake in Brussels Airport to MAp (***GIF2 Put Option***). If GIF2 wishes to exercise the right:
  - it must do so within 40 business days after the Internalisation is completed (otherwise the right lapses);
  - MAp has the discretion either to pay GIF2 cash in one instalment or issue GIF2 an equivalent amount of MAp securities;
  - the consideration that would be payable will be determined by reference to fair market value. The fair market value of GIF2's stake is not yet ascertainable and is not required to be determined until up to 50 business days after Completion (or potentially a longer period if, following a failure by the parties to agree the fair market value, an independent expert is appointed by the parties to make that determination). The MAp Independent Board Directors note that MAp's valuation of its 36% stake in Brussels Airport, which reflects a joint controlling interest, is $996.6 million as at 30 June 2009; and
  - if settlement were to be made in MAp stapled securities, the number of securities MAp may be required to issue to GIF2 would be determined based on the VWAP of MAp securities sold on the ASX over the 20 trading days following the day on which the fair market value is determined, discounted by 2.5%. Again, the precise number of MAp securities that may be issued, and the corresponding relevant interest that GIF2 might acquire in MAp securities, is not yet ascertainable and would not be able to be determined until the fair value is determined.

    Although GIF2 is a fund in which Macquarie has no investment, it is a Macquarie managed fund, and therefore if GIF2 were to be issued MAp securities, this may further increase Macquarie Group's relevant interest in MAp securities by a corresponding amount.

    It is noted that the managers of GIF2 must exercise their powers in the best interests of GIF2's security holders. Whether that increase would be permitted to occur and, if so, the timing for such an issue to complete, would need to be determined in light of any restrictions imposed by the Corporations Act and ASX Listing Rules.

The strategy and investment objectives of MAp will remain unchanged.

It is noted that Macquarie is not currently, and will not become if the Internalisation is approved, MAp's preferred financial adviser.

The Macquarie European Infrastructure Funds and GIF2 have confirmed that they will not exercise their rights to purchase MAp's stakes in Brussels Airport and Copenhagen Airport pursuant to change of control rights that exist in the shareholder documentation.

1.11 Independent Expert Report

In accordance with ASX Listing Rules, an Independent Expert is required to be appointed to prepare a report to assist security holders to assess the Internalisation. The Independent Expert was asked to state whether or not, in its opinion, the acquisition by MAp of a substantial asset from Macquarie, being the acquisition of MAML and ending Macquarie's management role in relation to MAp for the agreed consideration of $345 million is fair and reasonable to MAp security holders other than Macquarie pursuant to Listing Rule 10.1.

The Independent Expert has formed the opinion that the acquisition of MAML and ending Macquarie's management role in relation to MAp for the payment to Macquarie of $345 million is fair and reasonable as the amount to be paid to Macquarie falls within the Independent Expert's estimated valuation range of $321 million – $401 million for the management arrangements.

The Independent Expert Report is set out in full in Annexure 1.

1. Explanatory Memorandum (continued)

1.12 Transition of existing management team to MAp

A key element of the Internalisation is the transfer of the existing MAp management team to employment by MAp. Existing members of MAp's management team have been offered employment with MAp with the objective of agreeing employment terms with them prior to the Completion Date.

It is proposed that the management team that transfers to MAp will comprise executives in roles associated with airport strategy and management, investor relations, capital management and strategy, legal, finance and treasury and support functions.

Information technology, premises, compliance and risk management assistance, human resources support and accounting and taxation support services will initially be provided by Macquarie as part of a 12 month Transitional Services Agreement. Support services are to be provided to MAp at no cost for the first six months and then at cost until the end of the 12 month period. If the support services are required beyond the first 6 months for the full term, then it is expected that the fees that would be payable to Macquarie until expiration of the term of the Transitional Services Agreement would not exceed $1 million. It is difficult to provide a meaningful estimate of the size of the fees that would be payable in practice after the first 6 months, as MAp has the right to discontinue receiving services from Macquarie once it is capable of carrying out the equivalent function internally or it commences receiving those services from an alternative service provider. Therefore, the timeframe for provision of the services in the second 6 months, and the amount that MAp may be required to pay, is largely within MAp's control.

Upon cessation of transitional services, MAp may or may not decide to outsource part or all of these functions, which will have an impact upon total employee numbers.

To the extent that employees do not transfer their employment to MAp, Macquarie will provide suitably qualified employees on a secondment basis to MAp for a period of up to 6 months following the Completion Date at cost.

Macquarie will transfer to MAp a cash amount which includes the retained profit share allocations from prior years of transferring employees and the present value of accrued entitlements of the transferring employees in relation to annual and long service leave for the benefit of transferring employees.

Kerrie Mather will continue as MAp's CEO after the Internalisation. The key terms of her employment are as follows.

- Fixed remuneration will be $1.7 million per annum.
- An annual bonus payment may be payable as a percentage of fixed annual remuneration as determined by the boards. For the period to 31 December 2010, the maximum bonus will not exceed 80% of the fixed annual remuneration pro-rated having regard to the period from Completion. While no minimum bonus has been determined, bonuses will be solely influenced by MAp and Ms Mather's performance.
- One third of each annual bonus payment will be deferred for 3 years.
- Remuneration arrangements will be reviewed with effect from 1 January 2011 at the commencement of MAp's 2011 financial year and thereafter on the anniversary of the initial review date.
- Ms Mather may terminate the agreement on 6 months' notice and MAp may terminate the agreement on 12 months' notice.

As part of the transition arrangements, Martyn Booth, the current Airports Director will be appointed as MAp's Head of Europe. Mr Booth will be seconded to MAp from Macquarie for 12 months at no cost to MAp. Prior to the expiry of the secondment, the arrangement will be reviewed by the parties. Irrespective of the outcome of that review, MAp has the ability to make a direct offer of employment to Mr Booth.

1.13 New corporate governance framework

If the Internalisation is approved, it will be appropriate to introduce a governance framework for MAp that is similar to those in place for other ASX listed entities but which recognises MAp's particular circumstances (for example, the requirement to have two boards).

The key features of MAp's proposed governance framework include:

- rights for security holders to appoint one third of directors annually with re-election on a 3 year rotational basis;
- a majority of independent directors will be appointed to the MAML board. To this end the appointment of Kerrie Mather described below will be delayed until, for example, an additional independent director is selected. All new appointments to the MAL board will be selected to ensure that there is a majority of independent directors on the MAL board;
- the definition of independence as set out in the *ASX Corporate Governance Principles* will apply.
- The current requirement that candidates will be eligible to stand for election as a director if they meet the nomination criteria and have been nominated by 100 security holders or those holding at least or 5% of MAp's securities will be removed;
- Max Moore-Wilton will remain as chairman of MAML and Jeffrey Conyers will remain as chairman of MAL. It is intended that any future chairmen will be independent. The MAML board intends to appoint a lead independent director for so long as Max Moore-Wilton remains defined as a non-independent Chairman;
- MAML will retain the right to appoint one director to the MAL board to facilitate communications between the two boards;
- MAp's CEO, Kerrie Mather, will be invited to join the MAML board;
- a Macquarie nominee, John Roberts, will be appointed to the MAML board on the Completion Date;
- MAML will be appointed as investment adviser to MAL. There will be internal charging arrangements between the MAp entities;
- MAML will appoint a remuneration and nomination committee. This will be in addition to the audit and risk committee that has been constituted by each board. A majority of independent directors will be appointed to each committee; and
- section 2 describes a number of constitutional changes that will be required to give effect to some of the corporate governance initiatives described above.

1.14 Payment of fees to members of the MAp Independent Board Committees

As part of the Internalisation, the directors appointed to the MAp Independent Board Committees have been required to undertake additional duties outside the ordinary scope of services generally performed by directors. These services have included undertaking activities generally performed by management, including spending time evaluating the proposals put to MAp by Macquarie, reviewing and negotiating the terms of Internalisation, meeting with investors, and attending MAp Independent Board Committee meetings in order to consider the matters relevant to the Internalisation.

The fees payable in respect of these additional services performed by the Independent Directors of MAML, calculated on a daily basis, equate as at the date of this Explanatory Memorandum, to a total of approximately $375,000. Fees payable to the Independent Directors of MAL to Completion, including for work to date are estimated at US$125,000.

The fees payable to the Independent Directors of MAML for the additional services they have performed in connection with the Internalisation mean that the aggregate amount of fees payable to directors of MAML will be in excess of the existing fee pool which MAp security holders have approved may be paid to non-executive directors. Accordingly, MAp security holders are being asked to approve a one-off transaction specific increase in the aggregate amount of the fees payable to the non-executive directors of MAML of up to $150,000. MAp security holders are also being asked to approve a consequential amendment to the MAT1 and MAT2 constitutions.

1. Explanatory Memorandum (continued)

The fees payable to the Independent Directors of MAL are currently US$35,000 per annum for each director and this amount is not sufficient to pay the two Independent Directors fees for the additional services they have performed in relation to the Internalisation. Consequently, MAp security holders are being asked to approve an increase in the aggregate amount of the fees payable to the non-executive directors of MAL to facilitate a one-off transaction specific payment of fees of up to US$125,000 for the two Independent Directors.

In addition, the MAp Independent Directors note that if the Internalisation is approved, the aggregate level of fees payable to the non-executive directors will be reviewed. Any decision to seek an increase of such fees would take into account the market remuneration for non-executive directors in companies with an internalised management structure of comparable size and scale to MAp, and also involve taking advice from an independent remuneration consultant to confirm that the approach is appropriate having regard to market practice. If such a decision were made, the resolution may apply to permit retrospective payments referable to the period from the Completion Date, with MAp security holders being provided with an opportunity to vote on the relevant resolutions to the extent that fees do not fall within the existing fee approvals.

1.15 Change of name of Macquarie Airports

If the Internalisation is approved, the "Macquarie" name will no longer be relevant to the operations of the group and will be removed from the brand. MAP will be adopted formally as the new brand and the ASX ticker will remain as "MAP".

1.16 Implications if the Internalisation is not approved

If the Internalisation is not approved by security holders there will be no change to the way in which MAp is currently managed or its relationship with Macquarie. In particular:

- Macquarie will continue as external manager and adviser of MAp and MAp will continue to pay base fees and potentially performance fees to Macquarie in future periods;
- management will remain with Macquarie and will not transfer to MAp;
- MAp will not make a cash payment of $345 million to Macquarie as consideration for the Internalisation;
- MAp will not undertake the Entitlement Offer;
- MAp will not change its name;
- MAp will not acquire MAML and MAp will not receive the $1.6 million additional fees referred to in section 1.9;
- the GIF2 Put Option will not be triggered and the payment obligations will not arise; and
- the corporate governance features which are proposed to be introduced as part of the Internalisation will not be implemented.

1.17 Financial impact of the Internalisation

The key financial impacts of the Internalisation are:

- cost savings for MAp from ceasing to pay base fees and potential performance fees in future periods to Macquarie. Base fees averaged $44.1 million per annum in the 6½ years to 30 June 2009 and base and performance fees totalling $546.6 million have been paid since listing;
- an annual management fee of approximately $1.6 million (after deduction of costs) that is paid to Macquarie for the management of other investors' interests in airports in which MAp has an interest will become available to MAp;
- MAp will incur one-off external transaction and implementation costs estimated at $6 – 8 million;
- MAp will incur ongoing additional costs of an internalised management estimated at approximately $11.5 million in the first year. These costs are in addition to those costs incurred by MAp as part of its normal operations. In 2008 those operating costs were approximately $10 million; and
- MAp will continue to pay base fees to Macquarie up until Completion.

With the elimination of management fees partially offset by the additional cost of internal management, the earnings of MAp are expected to increase sufficiently to broadly maintain proportionate earnings per stapled security on the increased capital following the proposed Entitlement Offer. The Internalisation is not expected to impact the forecast 2009 full year distribution of $0.21 per security. This guidance is subject to external shocks to the aviation industry and material changes to forecast assumptions as set out in MAp's ASX release dated 20 May 2009.

1.18 Related party benefit

Chapter 2E of the Corporations Act, as modified by Part 5C.7 in connection with registered schemes, regulates the provision of financial benefits to related parties of a responsible entity of a registered scheme. In particular, section 208 (as modified by section 601LC) prohibits a responsible entity of a registered scheme or its related parties from being given or receiving a financial benefit out of scheme property without the approval of members, unless permitted by an exception to that section.

A responsible entity will be permitted to give a financial benefit to a related party if:

- it obtains the approval of its members in the way set out in sections 217 to 227 of the Corporations Act; and
- it gives the benefit within 15 months after the approval.

As MAML is currently owned by Macquarie, the two entities are "related parties" under the Corporations Act. Therefore, since MAML as responsible entity of MAT1 and MAT2 (together with MAL) is to pay Macquarie $345 million under the Internalisation, a resolution will be put to members of MAT1 and MAT2 for the purposes of Chapter 2E.

Section 219 of the Corporations Act specifies matters which must be addressed in an explanatory statement for the purposes of a notice convening a meeting to obtain the approval of members for the payment proposed to be made to Macquarie. For the purposes of section 219 of the Corporations Act, the following information is therefore set out.

(a) Related parties to whom the proposed resolution would permit financial benefits to be given: Macquarie.

(b) Nature of the financial benefits

The financial benefit to be provided in this case is a cash payment to Macquarie of $345 million if the Internalisation is approved.

(c) Directors' recommendations to members and reasons

The recommendation of the board of MAML is that members vote in favour of the proposal. This recommendation is made only by those members of the MAML board who are MAp Independent Directors. In particular:

— Max Moore-Wilton abstained from voting on all aspects of the Internalisation as he is not an independent director of MAML and may have a potential conflict of interest. Accordingly, Mr Moore-Wilton gives no recommendation with respect to the Chapter 2E resolution discussed in this section 1.18.

— Trevor Gerber, Bob Morris and The Hon. Michael Lee recommend members vote in favour of the resolution for the reasons set out in the section headed, "The MAp Independent Directors unanimously recommend the Internalisation proposal as being in the best interests of security holders" and section 1.5.

(d) Directors' interests in the outcome of the resolution

The directors of MAML do not have a direct interest in the outcome of the proposed resolution.

The directors of MAML may have an indirect interest in the outcome of the proposal through their holding of any MAp securities. Details of each directors' holding in MAp securities is set out in section 1.22.

The directors of MAML may also have an indirect interest in the outcome of the proposal through their holding of any Macquarie Group securities. Details of each of the MAML directors' holding in Macquarie Group securities is set out in the table below.

Director	Number of Macquarie securities held as at 4 September 2009
Max Moore-Wilton	2,563
Trevor Gerber	3,063
Michael Lee	490
Bob Morris	0

1. Explanatory Memorandum (continued)

(e) Other information known to MAML

Other than as set out in this Explanatory Memorandum and as noted below, there is no other information known to MAML or any of its directors that is reasonably required by security holders in order to decide whether or not it is in the best interests of MAT1 and MAT2's members to pass the MAT1 Resolution 2 and MAT2 Resolution 2 for the purposes of Chapter 2E.

The opportunity cost and benefit foregone of paying Macquarie $345 million for agreeing to the Internalisation is the cost or benefit foregone of spending this cash in other ways or returning it to security holders through, for example, a buyback program. The reasons for the Internalisation and the benefits that the MAp Independent Directors believe will accrue to MAp if the Internalisation proceeds are set out in section 1.3 and section 1.9(a). In addition, if the Internalisation is approved, MAp is intending to conduct the Entitlement Offer so that its cash reserves are replenished to the greatest extent possible.

There should be no material adverse effect on the tax position of MAp as a result of the Internalisation. A portion of the $345 million paid to Macquarie will be tax deductible over a period of 5 years, and a portion will comprise the cost base in shares acquired by MAp companies. Under current forecasts, the MAp stapled entities and wholly owned subsidiaries of MAp are not expected to pay tax for a number of years (though tax may be paid at the underlying asset level).

1.19 Future role of Macquarie if the Internalisation is implemented

If the Internalisation is implemented, Macquarie will no longer act as manager to MAp. Macquarie's ongoing role with respect to MAp is described below.

- As at 3 September 2009, Macquarie has a holding of 21.0% and Macquarie Group has voting power of 22.8% (assuming no disposals prior to that date). As set out in section 1.20, Macquarie's holding and relevant interest and voting power may increase under the Entitlement Offer.
- Mr John Roberts, an Executive Director of Macquarie, will join the MAML board from Completion. Mr Roberts intends to stand for election by MAp security holders at MAp's next AGM. Mr Roberts joined Macquarie in 1991 and is the Global Head of Macquarie Capital Funds. He has various roles as either a director or member of the Investment Committees for a number of Macquarie's infrastructure funds, including the Macquarie European Infrastructure Funds. Mr Roberts has more than 27 years of banking and finance experience. Since joining Macquarie in 1991, he has held many key roles including head of Macquarie's London office when overseeing Macquarie Capital's activities throughout Europe. Mr Roberts has a Bachelor of Laws degree from The University of Canterbury in New Zealand.
- Macquarie will provide support to MAp during the early stages of its transition from an externally managed fund to an internally managed fund via the provision of transitional services and the secondment of staff as described in section 1.12; and
- Macquarie may continue to act under existing financial advisory mandates it has with MAp or, in the future, MAp may determine to appoint Macquarie as one of its financial advisors on particular mandates.

1.20 Interests of Macquarie Group

As at 3 September 2009:

- Macquarie holds 357,549,524 MAp securities;
- in addition, other members of the Macquarie Group hold in aggregate 31,910,610 MAp securities; and
- Macquarie Group's total relevant interest and voting power in MAp is 22.8%.

It is possible that Macquarie Group will increase its voting power and relevant interest in MAp as a result of the Entitlement Offer. It is difficult to stipulate the precise amount of that expected increase because it will ultimately depend on the extent of MAp security holder participation and whether MAp security holders also elect to take up their Pro Rata Share of any shortfall. However, as mentioned in paragraph 1.6(c), immediately following the Entitlement Offer, in no event will Macquarie's voting power be more than 3 percentage points higher than its voting power 6 months before the allotment under the Entitlement Offer. Assuming the MAp securities issued under the Entitlement Offer are allotted on 30 October 2009 (as set out in the indicative timetable on page 3) then:

Macquarie's holding in MAp securities could increase from 21.0% to a maximum of 24.0%[14] immediately following the issue of MAp securities under the Entitlement Offer (assuming no disposal prior to that date); and

Macquarie Group's total relevant interest and voting power (including Macquarie's holding) could increase from 22.8%[15] to a maximum of 25.7% immediately following the issue of MAp securities under the Entitlement Offer (assuming no disposal prior to that date).

14 Macquarie's holding was 21.0% on 30 April 2009 (being 6 months before the indicative allotment date of the MAp securities under the Entitlement Offer). Relative to its voting power as at 3 September 2009, Macquarie would only be able to increase its voting power by a further 2.9% under the "3% creep rule".

15 Macquarie Group's total relevant interest and voting power (including Macquarie's holding) was 22.7% on 30 April 2009 (being 6 months before the indicative allotment date of the MAp securities under the Entitlement Offer). Relative to its voting power as at 3 September 2009, Macquarie Group would only be able to increase its voting power by a further 2.9% under the "3% creep rule".

1. Explanatory Memorandum (continued)

1.21 Directors' Independence following internalisation

The following table lists the proposed directors of MAp following the Internalisation and contains the relevant board's assessment of their independence both before and after the Internalisation. For each of those directors who are assessed as being independent according to the independence criteria set out in Annexure 2, it contains the quantum of fees, salaries and other benefits received by that director from Macquarie Group and Macquarie managed funds (excluding MAp) during the preceding 12 months.

The proposed directors of MAML and MAL following Internalisation

Director	Independence assessment	
Max Moore-Wilton (MAML chairman, MAL director)	Mr Moore-Wilton was an employee of Macquarie until 31 December 2008. He is now a consultant to Macquarie. Therefore he is not independent.	Non-executive
Trevor Gerber (MAML director)	Mr Gerber was a director of Macquarie Prologis Management Limited, a Macquarie subsidiary until July 2007. He is the St Hilliers Pty Limited nominee director of a property joint venture between St Hilliers Pty Limited (51%) and Macquarie Bank Limited (49%) called St Hilliers Property Pty Limited. The MAML board considers that these current and former directorships do not impact his independence of mind, including his ability to constructively challenge and independently contribute to the board or his ability to act in the best interests of MAp. The quantum of fees, salaries and other benefits received by Mr Gerber from Macquarie Group (excluding MAp) during the preceding 12 months was approximately $31,238 (being Macquarie's 49% share of the remuneration for Mr Gerber's role as a director of St Hilliers Property Pty Limited).	Independent
Bob Morris (MAML director)	Mr Morris is a transport consultant. He is chairman of the RiverCity Motorway Group. He satisfies the independence criteria. Mr Morris received no fees, salaries or other benefits from Macquarie Group (excluding MAp) during the preceding 12 months.	Independent
The Hon. Michael Lee (MAML director)	The Hon. Michael Lee is a director of AMPCI Macquarie Infrastructure Management No. 1 Limited (AMPCI1), the responsible entity of one of the entities in the DUET Group. The DUET Group is managed by a joint venture between AMP Capital Investors and Macquarie. The MAML board considers that Mr Lee's appointment was made in view of his expertise and has assessed that his appointment to AMPCI1 does not impact his independence of mind, including his ability to constructively challenge and independently contribute to the board or his ability to act in the best interests of MAp. The quantum of fees, salaries and other benefits received by Mr Lee from Macquarie Group (excluding MAp) during the preceding 12 months was approximately $35,000 (being Macquarie's 50% share of the remuneration for Mr Lee's role as a director of AMPCI1).	Independent

Director	Independence assessment	
Jeffrey Conyers (MAL director)	Mr Conyers is deputy chairman of Macquarie Infrastructure Group International Limited. Mr Conyers is married to Ede Conyers, who is Executive Director, Chief Executive Officer and a 16% shareholder in ISIS Fund Services Limited (ISIS Funds), a Bermuda based firm which provides company secretarial and funds administration services to MAL and its Bermudian subsidiaries as well as other Macquarie managed funds. Mr Conyers has no involvement with the operations of ISIS Funds but is a beneficiary of his wife's investment in the business. Ede Conyers in an independent business woman of 30 years' standing as a fund administrator in Bermuda. She is not involved with the day to day provision of company secretarial services to MAL. Mr Conyers appointment to the MAL board was made in view of his expertise. The MAL board has assessed that Mr Conyers' limited association with ISIS Funds does not impact his independence of mind, including his ability to constructively challenge and independently contribute to the board or his ability to act in the best interests of MAp. The quantum of fees, salaries and other benefits received by Mr Conyers from Macquarie Group (excluding MAp) during the preceding 12 months was approximately US$40,000 (for acting as deputy chairman of Macquarie Infrastructure Group International Limited).	Independent
Stephen Ward (MAL director)	Mr Ward is a senior commercial partner of leading New Zealand law firm Simpson Grierson. His firm does not provide legal services to MAp. Neither Macquarie nor Macquarie funds are significant clients. Mr Ward received no fees, salaries and other benefits received by from Macquarie Group (excluding MAp) during the preceding 12 months.	Independent
Sharon Beesley (MAL director)	Ms Beesley is the principal of ISIS Limited, ISIS Law and ISIS Funds which provide ongoing services to Macquarie managed funds and to MAL and she participates in the provision of those services. Ms Beesley is not regarded as independent.	Non-executive
John Roberts (Proposed MAML director)	If the Internalisation is completed, Mr Roberts will join the board of MAML as a casual vacancy and intends to stand for election at MAp's next AGM. Mr Roberts joined Macquarie in 1991 and is the Global Head of Macquarie Capital Funds. He has various roles as either a director or member of the Investment Committees for a number of Macquarie's infrastructure funds, including the Macquarie European Infrastructure Funds. Therefore, he is not independent.	Non-executive

1. Explanatory Memorandum (continued)

Director	Independence assessment	
Kerrie Mather (Proposed MAML director)	If the Internalisation is completed, Ms Mather will also be invited to join the board of MAML as a casual vacancy and will stand for election at MAp's next AGM. As CEO of MAp, Ms Mather would be regarded as an executive director because she is part of management. Ms Mather's appointment will be subject to the appointment of such new independent directors as is necessary to ensure a majority of independent directors sit on the MAML board.	Executive

1.22 Directors' interests

The directors intend to vote the securities they own or control in favour of all of the Resolutions, except where they are not permitted to cast a vote (under the voting exclusions contained in the notices of meeting).

Director	Number of MAp securities held as at 4 September 2009
Max Moore-Wilton	602,690
Sharon Beesley	0
Jeffrey Conyers	0
Trevor Gerber	170,000
Michael Lee	6,078
Bob Morris	37,500
Stephen Ward	20,000

1.23 Implementation Deed and other Transaction Documents

On 24 July 2009, MAp, Macquarie and other related entities entered into an Implementation Deed and other agreements to give effect to the arrangements described in this Explanatory Memorandum. On 28 August 2009, the Implementation Deed was amended to specify that Macquarie would be made a cash payment of $345 million as consideration for the Internalisation, instead of being issued with 150 million new MAp securities as originally announced on 24 July 2009.

The Implementation Deed documents the process for the internalisation of the management of MAp. The conditions precedent to implementing the Internalisation, as set out in that deed, are:

- the approval of MAp's security holders of the Resolutions described in section 2.1; and
- the absence of any legal or regulatory restraint preventing the implementation of the Internalisation.

If the conditions precedent are not satisfied by 15 December 2009, or such later date as the parties agree in writing, the transaction may be terminated. The Implementation Deed may be terminated by either party upon the occurrence of any of the following events:

- if Completion has not occurred by 15 December 2009;
- security holder approval is not obtained;
- the share sale agreement between Macquarie and MAp in connection with the sale of MAML shares is terminated;
- the arrangements in relation to Brussels Airport and Copenhagen Airports are terminated and arrangements similar in effect are not able to be implemented following consultation between the parties;
- a majority of the MAp Independent Directors change or withdraw their recommendation on account of the Independent Expert changing its opinion or the exercise of their fiduciary duties.

Macquarie has a right to terminate the Implementation Deed if a prescribed occurrence occurs in relation to MAp (such as MAp agreeing to dispose of its business, resolving to be wound up or if it charges the whole of its property) or if MAp or certain subsidiaries breach their representations and warranties under the Implementation Deed and such breach is material to the transaction.

MAp has a right to terminate the Implementation Deed if a prescribed occurrence occurs in relation to MAML in its personal capacity or if Macquarie or MCFEL breach their representations and warranties under the Implementation Deed and such breach is material to the transaction.

If the Internalisation is approved by security holders, on Completion, the relevant parties will enter into a number of transaction documents, including:

- agreements relating to the transition and staffing arrangements for the provision of Macquarie staff to MAp;
- deeds of termination in respect of existing licensing arrangements for the use of the Macquarie name;
- deeds of termination or amendment of existing management relationships with Macquarie; and
- deeds of termination or amendment of the existing corporate governance arrangements which will no longer apply after Completion.

On 28 August 2009, MAp and Macquarie also entered into a Commitment Letter under which MAp agreed to conduct the Entitlement Offer and Macquarie agreed to support the Entitlement Offer, including by subscribing for its pro rata entitlement and acting as manager of the Entitlement Offer for no fee.

2. Explanation Resolutions

2.1 Explanation of Resolutions

Interconditional Resolutions

It should be noted that, for the Internalisation to be implemented, each of MAT1 and MAT2 Resolutions 1 and 2, and MAL Resolution 1, must be passed. If any of these Resolutions are not passed the Internalisation will not be implemented.

MAL Resolution 1 and MAT1 and MAT2 Resolution 1 – Acquisition or disposal of substantial asset from or to Macquarie

Under the Internalisation, MAp will acquire the entity MAML and internalise the management rights for MAp – this constitutes the acquisition of a substantial asset by MAp. The consideration payable for the internalisation of the management rights is $345 million.

ASX Listing Rule 10.1 allows an entity to acquire or dispose of a substantial asset from, or to, persons in a position of influence in relation to the entity if the approval of security holders is received.

The $345 million payment constitutes a substantial asset for the purpose of Listing Rule 10.1.

If the Resolution is approved, it operates to satisfy the requirements of Listing Rule 10.1.

Listing Rule 10.10 also requires an Independent Expert Report to be prepared in respect of a resolution under Listing Rule 10.1. The Independent Expert has formed the view that the Internalisation is fair and reasonable from the perspective of the non-associated security holders. More detail about the Independent Expert's opinion is set out in section 1.11 and the Independent Expert Report is contained in Annexure 1.

To pass this Resolution, more than 50% of the votes cast by security holders entitled to vote on the Resolution must be in favour of the Resolution.

MAT1 and MAT2 Resolution 2 – Related party benefit

Chapter 2E of the Corporations Act, as modified by Part 5C.7, regulates the provision of financial benefits out of scheme property to related parties by responsible entities of registered schemes. In particular, section 208 of the Corporations Act prohibits a responsible entity of a registered scheme from giving a financial benefit out of scheme property to a related party without member approval, unless it occurs pursuant to an exception under the Corporations Act. Since MAML, as responsible entity of MAT1 and MAT2, is currently owned by Macquarie, and the Internalisation involves the payment to Macquarie of $345 million, security holder approval is being sought under Chapter 2E, concurrently with the approval under ASX Listing Rule 10.1. The detail required to be disclosed by MAML under the Corporations Act for the purposes of Chapter 2E is set out in section 1.18.

To pass this Resolution, more than 50% of the votes cast by security holders entitled to vote on the Resolution must be in favour of the Resolution.

2.2 Ancillary Resolutions

MAL Resolution 2 – Change of name for MAL

MAL is seeking approval of its security holders to change its name from Macquarie Airports Limited to MAP Airports International Limited if the Internalisation is approved. The change of name is an important step for MAL and will reflect the fact that MAL is no longer associated with Macquarie Group.

Under section 10 of the Companies Act 1981 of Bermuda, a company may change its name by ordinary resolution of its members provided that the Bermuda Registrar of Companies has approved the proposed name.

Under the Internalisation, MAL is required to put a resolution to its security holders to change MAL's name to one which does not include "Macquarie" (together with a recommendation that it be passed) at each general meeting until passed.

To pass this MAL Resolution 2, more than 50% of the votes cast by security holders entitled to vote on the Resolution must be in favour of the Resolution. The directors of MAL recommend that security holders vote in favour of this resolution.

MAL Resolution 3 – Directors' remuneration

It is proposed that the aggregate amount of MAL directors' fees will be increased by US$125,000 with a maximum amount of US$265,000 being paid to directors as a whole for the current financial year (after which it will revert to US$140.000). Listing Rule 10.17 prohibits any increase to the total amount of directors' fees payable by a listed entity or its subsidiary without the prior approval of its ordinary security holders. Additionally, MAL Bye-Law 60 requires any change to the level of directors' fees to be approved by a resolution passed by security holders.

This amendment is being put to MAp security holders so that the amount of up to US$125,000 payable to MAL's two independent directors can be made for the additional services they have performed in relation to the Internalisation.

Therefore, if MAL Resolution 3 is passed, it will satisfy the requirements of Listing Rule 10.17 and MAL Bye-Law 60, and authorise the increase in director's fees payable.

To pass this Resolution, more than 50% of the votes cast by security holders entitled to vote on the Resolution must be in favour of the Resolution.

MAT1 and MAT2 Resolution 3 – Directors' remuneration

It is proposed that the aggregate amount of MAML directors' fees will be increased by $150,000 with a maximum amount of $850,000 being paid to directors as a whole for the current calendar year (after which it will revert to $700,000). Listing Rule 10.17 prohibits any increase to the total amount of directors' fees payable by a listed entity or its subsidiary without the prior approval of its ordinary security holders.

In addition, to effect this step, an amendment to clause 21.4(q)(i) of the MAT1 and MAT2 Constitutions is required to change $700,000 to $850,000.

Therefore, if MAT1 and MAT2 Resolutions 3 are passed, it will satisfy both the requirements of Listing Rule 10.17 and section 601GC(1)(a) of the Corporations Act, and authorise the increase in directors' fees payable and the amendment to the MAT1 and MAT2 Constitutions.

Under Listing Rule 10.17, an ordinary resolution is required, however, to amend the MAT1 and MAT2 Constitutions, a special resolution is required. Consequently, to pass this Resolution, at least 75% of the votes cast by security holders entitled to vote on the Resolution must be in favour of the Resolution.

MAL Resolution 4 – Amendments to the bye-laws of MAL

If the Internalisation is approved, it is proposed that a complete new set of bye-laws be adopted in substitution for the existing bye-laws of MAL (the New MAL Bye-Laws) to reflect changes which relate to the Special Shares in MAL which are currently on issue and the submission of electronic proxies.

The following summarises the principal changes:

- The A Special Share which is currently held by Macquarie will be redeemed under the Internalisation and therefore the rights of the 'A Special Share' in MAL's Bye-Laws will no longer be effective.
- The New MAL Bye-Laws will also rename the existing B Special Share as the 'Stapling Share' and attach the right to appoint one director of MAL to that share. From Completion, the Stapling Share will be held by MAML as responsible entity of MAT2.
- The New MAL Bye-Laws will also allow electronic proxies to be submitted.

A copy of the New MAL Bye-Laws will be tabled at the meeting and is currently available for review on the MAp website www.macquarie.com.au/map. After adoption, the New MAL Bye-Laws will also be available on the ASX and MAp websites.

If MAL Resolution 4 is passed, it will have the effect of authorising the amendments to the MAL bye-laws.

To pass MAL Resolution 4, at least 75% of the votes cast by security holders entitled to vote on the Resolution must be in favour of the Resolution.

3. Notices of Meeting

Notice of Special General Meeting

Macquarie Airports Limited (ARBN 099 813 180)

A company incorporated in Bermuda with registration number 31667.

Notice is given that the Special General Meeting of Macquarie Airports Limited (the *Company*) will be held at 2.00pm on Wednesday 30 September 2009 in the James Cook Ballroom, Level 2, InterContinental Sydney, 117 Macquarie Street, Sydney, NSW to transact the following business:

Resolution 1 – Acquisition or disposal of substantial asset from or to Macquarie

To consider, and if thought fit, approve as an ordinary resolution:

THAT, subject to MAT1 and MAT2 Resolutions 1 and 2 being passed, approval is given for the Internalisation as outlined in the Explanatory Memorandum accompanying this Notice of Meeting for the purposes of Listing Rule 10.1 and for all other purposes.

Voting exclusion statement:

MAL will disregard any vote cast on this Resolution by Macquarie Group Limited, MAML, MAL and their associates, however need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by a person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

Resolutions 2 and 4 will be conditional upon MAL Resolution 1 and MAT1 and MAT2 Resolutions 1 and 2 being passed.

Resolution 2 – Change of name for MAL

To consider, and if thought fit, approve as an ordinary resolution:

THAT, pursuant to a recommendation by the Board of Directors, the name of the Company be changed to "MAP Airports International Limited".

Resolution 3 – Payment of fees to Independent Directors

To consider, and if thought fit, approve as an ordinary resolution:

THAT, for the purposes of Listing Rule 10.17, for the purpose of Bye-Law 60 and for all other purposes, to facilitate payment of a one-off fee to the Company's independent directors, approval is given for the fees payable to the MAL directors to be increased by US$125,000 with a maximum amount of US$265,000 being paid to the MAL directors as a whole for the current financial year (after which the aggregate amount shall revert to US$140,000 per annum or such other amount approved by security holders).

Voting exclusion statement:

MAL will disregard any vote cast on this Resolution by the directors of MAL and their associates, however need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by a person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 – Amendments to the bye-laws of MAL

To consider, and if thought fit, approve as a special resolution:

THAT, with effect from Completion pursuant to a recommendation by the board of directors, the New MAL Bye-Laws be adopted in substitution for the existing MAL bye-laws.

Terms and expressions used in this Notice of Meeting have, unless otherwise defined, the same meanings set out in section 5 of the Explanatory Memorandum.

BY ORDER OF THE BOARD
C/-ISIS Fund Services Ltd
Penboss Building
2nd Floor, 50 Parliament Street
Hamilton HM 12
Bermuda

Anne Bennett-Smith
Company Secretary
7 September 2009

Notice of General Meeting

Macquarie Airports Trust (1) (ARSN 099 597 921)

Macquarie Airports Management Limited (ACN 075 295 760) (***Responsible Entity***) gives notice that a meeting of the unitholders of Macquarie Airports Trust (1) (ARSN 099 597 921) (***MAT1***) will be held at 2.00pm on Wednesday 30 September 2009 in the James Cook Ballroom, Level 2, InterContinental Sydney, 117 Macquarie Street, Sydney, NSW to transact the following business:

Resolution 1 – Acquisition or disposal of substantial asset from or to Macquarie

To consider, and if thought fit, approve as an ordinary resolution:

THAT, subject to MAT1 Resolution 2, MAT2 Resolution 1 and 2, and MAL Resolution 1, being passed, approval is given for the Internalisation as outlined in the Explanatory Memorandum accompanying this Notice of Meeting for the purposes of Listing Rule 10.1 and for all other purposes.

Voting exclusion statement:

The Responsible Entity will disregard any vote cast on this Resolution by Macquarie Group Limited, Macquarie Capital Group Limited, MAML and their associates, however need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by a person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

In accordance with section 253E of the Corporations Act, MAML and its associates are not entitled to vote their interests on any resolution at a meeting of unitholders if they have an interest in the resolution or matter other than as a member of the trust.

Resolution 2 – Related party benefit

To consider, and if thought fit, approve as an ordinary resolution:

THAT, subject to MAT1 Resolution 1, MAT2 Resolution 1 and 2, and MAL Resolution 1 being passed, approval is given for the Internalisation as outlined in the Explanatory Memorandum accompanying this Notice of Meeting for the purposes of Chapter 2E of the Corporations Act and for all other purposes.

Voting exclusion statement:

In accordance with section 253E of the Corporations Act, MAML and its associates are not entitled to vote their interests on any resolution at a meeting of unitholders if they have an interest in the resolution or matter other than as a member of the trust.

Resolution 3 – Directors' remuneration including increase in level of fees

To consider, and if thought fit, approve as a special resolution:

THAT, for the purposes of Listing Rule 10.17 and section 601GC(1)(a) of the Corporations Act, and for all other purposes, approval is given for the fees payable to the MAML directors to be increased by $150,000, with a maximum amount of $850,000 being paid to the MAML directors as a whole for the current calendar year (after which the aggregate amount shall revert to $700,000 per annum or such other amount approved by security holders), and for clause 21.4(q)(i) of the MAT1 Constitution to be amended by adding the following words at the end of clause 21.4(q)(i) "(with the exception of those fees paid or payable in respect of the 2009 calendar year, in which case such fees must not exceed in aggregate $850,000)".

Voting exclusion statement:

The Responsible Entity will disregard any vote cast on both these Resolutions by the directors of MAML and their associates, however need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by a person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

In accordance with section 253E of the Corporations Act, MAML and its associates are not entitled to vote their interests on any resolution at a meeting of unitholders if they have an interest in the resolution or matter other than as a member of the trust.

Terms and expressions used in this Notice of Meeting have, unless otherwise defined, the same meanings set out in section 5 of the Explanatory Memorandum.

BY ORDER OF THE BOARD

Sally Webb
Company Secretary
7 September 2009

3. Notices of Meeting (continued)

Notice of General Meeting

Macquarie Airports Trust (2) (ARSN 099 597 869)

Macquarie Airports Management Limited (ACN 075 295 760) (Responsible Entity) gives notice that a meeting of the unitholders of Macquarie Airports Trust (2) (ARSN 099 597 869) (MAT2) will be held at 2.00pm on Wednesday 30 September 2009 in the James Cook Ballroom, Level 2, InterContinental Sydney, 117 Macquarie Street, Sydney, NSW to transact the following business:

Resolution 1 – Acquisition or disposal of substantial asset from or to Macquarie

To consider, and if thought fit, approve as an ordinary resolution:

THAT, subject to MAT1 Resolution 1 and 2, MAT2 Resolution 2 and MAL Resolution 1 being passed, approval is given for the Internalisation as outlined in the Explanatory Memorandum accompanying this Notice of Meeting for the purposes of Listing Rule 10.1 and for all other purposes.

Voting exclusion statement:

The Responsible Entity will disregard any vote cast on this Resolution by Macquarie Group Limited, Macquarie Capital Group Limited, MAML and their associates, however need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by a person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

In accordance with section 253E of the Corporations Act, MAML and its associates are not entitled to vote their interests on any resolution at a meeting of unitholders if they have an interest in the resolution or matter other than as a member of the trust.

Resolution 2 – Related party benefit

To consider, and if thought fit, approve as an ordinary resolution:

THAT, subject to MAT1 Resolution 1 and 2, MAT2 Resolution 1, and MAL Resolution 1 being passed, approval is given for the Internalisation as outlined in the Explanatory Memorandum accompanying this Notice of Meeting for the purposes of Chapter 2E of the Corporations Act and for all other purposes.

Voting exclusion statement:

In accordance with section 253E of the Corporations Act, MAML and its associates are not entitled to vote their interests on any resolution at a meeting of unitholders if they have an interest in the resolution or matter other than as a member of the trust.

Resolution 3 – Directors' remuneration including increase in level of fees

To consider, and if thought fit, approve as a special resolution:

THAT, for the purposes of Listing Rule 10.17 and section 601GC(1)(a) of the Corporations Act, and for all other purposes, approval is given for the fees payable to the MAML directors to be increased by $150,000, with a maximum amount of $850,000 being paid to the MAML directors as a whole for the current calendar year (after which the aggregate amount shall revert to $700,000 per annum or such other amount approved by security holders), and for clause 21.4(q)(i) of the MAT1 Constitution to be amended by adding the following words at the end of clause 21.4(q)(i) "(with the exception of those fees paid or payable in respect of the 2009 calendar year, in which case such fees must not exceed in aggregate $850,000)".

Voting exclusion statement:

The Responsible Entity will disregard any vote cast on both these Resolutions by the directors of MAML and their associates, however need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by a person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

In accordance with section 253E of the Corporations Act, MAML and its associates are not entitled to vote their interests on any resolution at a meeting of unitholders if they have an interest in the resolution or matter other than as a member of the trust.

Terms and expressions used in this Notice of Meeting have, unless otherwise defined, the same meanings set out in section 5 of the Explanatory Memorandum.

BY ORDER OF THE BOARD

Sally Webb
Company Secretary
7 September 2009

4. Notes on Voting

Voting

You can vote in either of two ways:

- by attending the meetings and voting in person or, if you are a corporate member, by your corporate representative attending and voting for you; or
- appointing a proxy to attend and vote for you, using the enclosed voting and proxy form.

Voting in person

If you plan to attend the meetings, we ask that you arrive at the meeting venue by 1.30pm so that we may check your security holding against our register of members and note your attendance.

The meetings will start at 2.00pm on Wednesday 30 September 2009 in the James Cook Ballroom, Level 2, InterContinental Sydney, 117 Macquarie Street, Sydney, NSW.

Voting by corporate representative

If you are a corporate member and you plan to attend, then you must appoint a person to act as your representative. The person you appoint must bring to the meeting appropriate written evidence of the appointment to the meeting signed under the corporation's common seal or in accordance with s127 of the *Corporations Act 2001*.

Voting by proxy

If you do not intend to attend the meeting and you are entitled to vote on the resolution, then you may appoint a representative or the chairman of the meeting to act as your proxy to attend and vote for you. Your representative must be a natural person but otherwise can be any person you choose. They do not need not be a member of MAp. Your proxy can be appointed in respect of some or all of your votes. If you are entitled to cast 2 or more votes at the meeting, then you may appoint 2 proxies each to exercise a specified proportion of your voting rights.

Entitlement to vote

MAp has determined that for the purpose of voting at the meetings, MAp securities will be taken to be held by those persons recorded on the register as at 7.00pm on Monday 28 September 2009.

Timing

For the appointment of a proxy to be effective, you must ensure that your proxy form (and a certified copy of the relevant authority under which it is signed) is received by the registry, Computershare Investor Services Pty Limited, by no later than 2.00pm on Monday 28 September 2009. You can send it:

- by mail; or
- by facsimile; or
- by hand delivery.

More information

If you have any questions, please contact the MAp Security Holder Information Line on 1300 658 985 (within Australia) or + 612 8986 9352 (if calling from outside Australia), Monday to Friday between 9.00am and 6.00pm.

5. Glossary

$	Australian Dollars
AGM	Annual General Meeting
A Special Share	The A Special Share in MAL which is held by Macquarie and will be redeemed on Completion
ASX	ASX Limited (ACN 008 624 691)
B Special Share	The B Special Share in MAL on issue which is held by MAT1 and will be renamed the Stapling Share and be transferred to MAT2 on Completion
Completion Date or Completion	The date on which completion of the Internalisation occurs. This is expected to be 30 October 2009 but may be changed if MAp and Macquarie agree
Corporations Act	*Corporations Act 2001 (Cth)*
Entitlement Offer	The 1 for 11 non-renounceable entitlement offer at the subscription price of $2.30 per security proposed to be conducted by MAp if the Internalisation is approved by MAp's security holders at the General Meetings and Special General Meeting
Explanatory Memorandum	The Notices of Meeting and the Explanatory Memorandum
GIF2	Has the meaning set out in section 1.10
GIF2 Put Option	Has the meaning set out in section 1.10
Grant Samuel	Grant Samuel Corporate Finance Pty Ltd (ACN 076 716 657)
Implementation Deed	The implementation deed dated 24 July 2009 between MAp, Macquarie, MCFEL and MAML, as amended by the parties
Internalisation	The proposal by which the management of MAp will be internalised through a process involving the acquisition of the shares in MAML and the ending of the management and other contractual agreements between MAp and the Macquarie Group
Independent Expert	KPMG Corporate Finance (Aust) Pty Ltd (ABN 43 007 363 215)
Independent Expert Report	The report prepared by the Independent Expert, which is in Annexure 1 of this Explanatory Memorandum
Listing Rule	The Listing Rules of the ASX
Macquarie	Macquarie Capital Group Limited (ABN 54 096 705 109) and, where the context requires, includes a reference to Macquarie Capital Group Limited acting through one or more of its wholly owned subsidiaries
Macquarie Group	Macquarie Group Limited (ABN 94 122 169 279) and each of its related bodies corporate

Macquarie Information	The information contained in the following part of this Explanatory Memorandum: ■ the section in the Important Notices under the heading, "References to Macquarie's holding in MAp securities"; ■ the third sentence in the second paragraph except the words "The Entitlement Offer is not underwritten" under the heading "Funding the Internalisation payment" in the Letter from the Chairmen of the MAp Independent Board Committees; ■ the words "Macquarie has a holding in MAp of 21.0% and a relevant interest in 22.8% in MAp's issued capital" in the first sentence under the heading "Macquarie's effective voting power" in the section headed "The MAp Independent Directors unanimously recommend the Internalisation proposal as being in the best interests of security holders"; ■ footnote 3 as it appears in the section headed, "The MAp Independent Directors unanimously recommend the Internalisation proposal as being in the best interests of security holders"; ■ the first sentence of the last bullet point under the heading "The Entitlement Offer" except the words "The Entitlement Offer is not underwritten" in the section headed "The MAp Independent Directors unanimously recommend the Internalisation proposal as being in the best interests of security holders"; ■ Macquarie's holding of 21.0% of MAp as disclosed in the corporate structure diagram under the heading "Before internalisation" in section 1.1.; ■ the first sentence of footnote 6, as it appears in section 1.1; ■ the first sentence in the third bullet point in section 1.4; ■ the second bullet point in section 1.6(c); ■ the references to Macquarie Group's voting power of "22.8%" in section 1.7; ■ footnote 8, as it appears in section 1.7; ■ the last sentence of the second paragraph under the heading "Clearer control over representation on the boards of MAML and MAL" in section 1.9(a); ■ the second sentence, the first and second bullet points and footnotes 12 and 13 under the heading "Potential for increased control by Macquarie" in section 1.9(b); ■ the words "management will remain with Macquarie" in the second bullet point in section 1.16; ■ the first sentence of the first bullet point in section 1.19; ■ the second to sixth sentence of the second bullet point in section 1.19; ■ section 1.20, including footnotes 14 and 15 but excluding the first two sentences of the second paragraph; and ■ the description of John Roberts in the table in section 1.21, excluding the words, "If the Internalisation is completed, Mr Roberts will join the board of MAML as a casual vacancy" and "Therefore, he is not independent".
MAL or Company	Macquarie Airports Limited (ARBN 099 813 180)
MAL Advisory Agreement	The advisory agreement between MAL and MCFEL dated 27 February 2002
MAL bye-laws	The bye-laws of MAL adopted on 22 May 2008 (as amended)

5. Glossary (continued)

MAML	Macquarie Airports Management Limited (ACN 075 295 760) (AFSL 236875) in its capacity as responsible entity of MAT1 and MAT2
MAp	Macquarie Airports, comprising MAT1, MAT2 and MAL
MAp Independent Board Committees	The independent board committees of MAL and MAML comprised of the MAp Independent Directors
MAp Independent Directors	The independent directors of MAL, being Jeff Conyers and Stephen Ward and the independent directors of MAML, being Trevor Gerber, Bob Morris and The Hon. Michael Lee. The independence of MAp directors is determined in accordance with the Macquarie Fund Policy as described in MAp's Corporate Governance Statement under Principle 2 which can be found on MAp's website www.macquarie.com/map and also in Annexure 2 of this Explanatory Memorandum
MAT1	Macquarie Airports Trust (1) (ARSN 099 597 921)
MAT2	Macquarie Airports Trust (2) (ARSN 099 597 896)
MGL	Macquarie Group Limited (ACN 122 169 279)
MCFEL	Macquarie Capital Funds (Europe) Limited, a wholly owned subsidiary of Macquarie Capital Group Limited and the adviser to MAL
New MAL Bye-Laws	Has the meaning set out in section 2
Resolutions	The resolutions proposed to be put to security holders as set out in the Notices of Meeting
TICkETS	Tradeable Interest-bearing Convertible to Equity Trust Securities issued by Macquarie Airports Reset Exchange Securities Trust (ARSN 110 748 859)
Transitional Services Agreement	The transitional services agreement entered into between MAL and Macquarie dated 24 July 2009
VWAP	Volume weighted average sale price of MAp securities traded on ASX during the relevant period or on the relevant days, rounded down to the nearest cent

Annexures

Annexure 1 – Independent Expert Report

The Independent Expert Report is provided on the following pages.

KPMG Corporate Finance (Aust) Pty Ltd
Australian Financial Services Licence No. 246901
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Sydney NSW 2000

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Australia Square 1213
Australia

ABN: 43 007 363 215
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DX: 1056 Sydney
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The Independent Directors
Macquarie Airports Management Limited
as responsible entity for Macquarie Airports Trust (1) and
Macquarie Airports Trust (2)
No. 1 Martin Place
Sydney NSW 2000

Macquarie Airports Limited
2nd Floor
50 Parliament Street
Hamilton HM12
Bermuda

4 September 2009

Dear Sirs

Independent expert report & Financial services guide

1 Introduction

Macquarie Airports (MAp) was established with an investment mandate to invest in existing and proposed airport assets. When established, the management of MAp was outsourced to third party entities associated with Macquarie Capital Group Limited (Macquarie). In recent times, the external management of entities such as MAp has become less popular with investors in favour of internal management. In this regard, the Independent Directors of Macquarie Airports Management Limited (MAML) as responsible entity of Macquarie Airports Trust (1) (MAT 1) and Macquarie Airports Trust (2) (MAT 2) and Macquarie Airports Limited (MAL), collectively MAp, have requested KPMG Corporate Finance (Aust) Pty Ltd (KPMG) to prepare an independent expert report (IER) for distribution to the MAp securityholders (the Report) in relation to a proposal to internalise MAp's management (Internalisation).

Details of the Internalisation are set out in Section 5 of this report and more fully in the Explanatory Memorandum sent to MAp securityholders (the Explanatory Memorandum). However, in summary the Internalisation is to be implemented through:

- the transfer of MAML from Macquarie, a wholly owned subsidiary of Macquarie Group Limited (MGL), to MAT 2 Holdings Pty Limited (MAT 2 Holdings), a subsidiary of MAT 2, and termination of the resources agreement between Macquarie and MAML for the provision of resources to enable MAML to provide management services to MAp

- transferring the advisory agreement between MAL and Macquarie Capital Funds (Europe) Limited (MCFEL), also a wholly owned subsidiary of Macquarie, to Macquarie Group Holdings (UK) No 3 Limited (MGH#3) a subsidiary of Macquarie, and selling MGH#3 to MAL (or alternatively at Macquarie's discretion terminating the advisory agreement), thereby removing any liability for MAL to pay fees in connection with the external management of MAp.

Under the proposal, the consideration for the Internalisation will be $345 million to be settled in cash.

We also note that the payment of $345 million will be funded from MAp's cash reserves. If the Internalisation proceeds it is intended to undertake a 1 for 11 non-renounceable entitlement offer at a subscription price of $2.30 per security (Entitlement Offer). The details of which are set out more fully in the Explanatory Memorandum.

KPMG has been requested to form a view as to whether the Internalisation is fair and reasonable from the perspective of those securityholders of MAp not associated with Macquarie, the non-associated Securityholders, pursuant to the Australian Securities Exchange (ASX) Listing Rules.

This Report provides KPMG's opinion as to the merits or otherwise of the Internalisation. This report should be considered in conjunction with and not independently of the information set out in the attached report.

2 Scope of Report

This Report has been prepared pursuant to the requirements under the ASX Listing Rules and the Act. In this regard, Regulatory Guide (RG) 111 "Content of expert reports", issued by the Australian Securities and Investments Commission (ASIC) indicates the principles and matters which ASIC expects a person preparing an Independent Expert Report for the purposes of the Corporations Act 2001 (Act), or another purpose, to consider. In particular RG 111.4 notes that in deciding on the appropriate form of analysis for a report, "an expert should bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction. An expert should focus on the purpose and outcome of the transaction, that is, the substance of the transaction, rather than the legal mechanism used to effect the transaction".

2.1 Factors considered in forming our opinions

In considering the Internalisation we have considered, in particular, the following issues:

- the terms of the constitutions for MAT 1 and MAT 2 and the advisory agreement with MAL (collectively the Management Arrangements) in place including, but not limited to:
  - fees
  - potential term

- termination provisions

- the implications if the Internalisation is approved, including the on-going cost of the management internalisation and funding of the consideration

- transition arrangements

- change of control provisions in relation to MAp's underlying assets that may be triggered as a result of the Internalisation

- the implications if the Internalisation is not approved

- any other advantages and disadvantages of the Internalisation.

3 Summary of opinion

In our opinion the Internalisation is fair and reasonable from the perspective of the non-associated Securityholders.

Significant factors we have considered in forming the above opinions are set out below.

3.1 The Internalisation is fair

Assessing the value of the Management Arrangements is not simple as any such opinion involves estimates as to the fair market value of a MAp security which, inherently involves related estimates of the future MAp security price and, equally if not more importantly, the security price performance of MAp as compared to a related index and the term of the Management Arrangements. On balance, we are of the view that the estimates made by us in relation to these issues in this report are reasonable. We have also considered:

- the Management Arrangements have no set term but may be terminated by an ordinary resolution of MAps securityholders. Any such resolution would require approval by at least 50 percent of MAp's securityholders and Macquarie could vote its existing 22.8 percent voting interest as it sees fit

- there are various change of control triggers in MAp's debt facilities and pre-emptive rights clauses in shareholder agreements which may be activated by the Internalisation and which would have adverse consequenses on MAp's operations

- the MAp Independent Directors consider Macquarie's cooperation essential in implementing the Internalisation, in particular the transitional arrangements which have been entered into.

Having regard to the above factors, we have determined the fair value of the Management Arrangements less any incremental costs to be incurred by MAp to be in the range of $320.6 million and $400.6 million (section 9.7.8).

As we have concluded that the Consideration of $345 million is within the range of values we have ascribed to the Management Arrangements, we are of the opinion that the Internalisation is fair from the perspective of the non-associated Securityholders.

3.2 The Internalisation is reasonable

RG 111 notes that a transaction is 'reasonable' if it is considered 'fair'. While not technically required, we note the following factors which impact upon the reasonableness of the Internalisation:

- the Internalisation represents a significant change in business model for MAp at a time when the external management model has fallen out of favour with investors. By approving the Internalisation non-associated Securityholders will be exchanging a variable payment, based upon the MAp security price and its relative performance against a related index over limited time periods, for a more certain payment reflecting salary costs and other operational costs which are not tied to the MAp security price. All else being equal, the Internalisation should act to reduce the volatility in MAp's reported earnings as well as provide increased savings should either the market price of a MAp security increase or MAp grows through acquisitions. In our view the benefits of such a change in cost structure are significant and should not be underestimated although we note that there is no certainty that this will be reflected in the MAp security price

- Macquarie currently have certain director appointment rights to the Boards of MAp (in addition to being the manager) and, should the Internalisation be approved, these rights will fall away and Macquarie will be invited to nominate one Director and will no longer have any role in the management of MAp. The extent of Macquarie's control as a practical measure will decline as a result of the Internalisation, sections 10.4. However, subject to the extent to which Securityholders participate in the Entitlement Offer there is the potential for Macquarie to increase its voting rights (although it will be limited to an increase of up to 3 percent in its voting rights)

- MAp will become a stand alone entity with a management team solely focussed on MAp's airport investments

- the Internalisation amount of $345 million is to be paid out of cash reserves. However, it is intended that by raising funds through the Entitlement Offer that MAp's cash position will be partially or fully replenished. Whilst all Securityholders will have the same rights to participate, Securityholder's relative holding may change depending on the extent to which they participate

- should the Internalisation and Entitlement Offer have occurred on 1 January 2008, pro-forma proportionate earnings per security would have been unchanged, section 10.6

- adjusted NAV per security as at 30 June 2009 would decline, section 10.7

- there is potential for the market to reflect the management fee saving through internalisation of the management of MAp in an increased MAp security price, section 10.8

We have summarised the quantitative issues we have considered contributing to reasonableness below.

Table 1: Outcomes

		Before	After
Proportionate earnings per security (31 December 2008)	($)	0.210	0.210
Adjusted NAV per security, mid point	($)	4.04	3.91

Source: KPMG

4 Other matters

In forming our opinion, we have considered the interests of the non-associated Securityholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual non-associated Securityholders. It is not practical or possible to assess the implications of the Internalisation on individual non-associated Securityholders as their financial circumstances are not known. The decision of non-associated Securityholders as to whether or not to approve the Internalisation is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual non-associated Securityholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolution may be influenced by his or her particular circumstances, we recommend that individual non-associated Securityholders including residents of foreign jurisdictions seek their own independent professional advice.

We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. In this regard we refer readers to the limitations and reliance on information section as set out in Section 6 of our report.

All currency amounts in this report are denominated in Australian dollars ($) unless otherwise stated.

This report should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices. Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Explanatory Memorandum. KPMG consents to the inclusion of this report in the form and context in which it appears in the Explanatory Memorandum.

Yours faithfully

Ian Jedlin	Michael Jones
Executive Director	Director

Contents

Financial services guide

Dated 4 September 2009

KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215 (**KPMG** or **we** or **us** or **our** as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial services guide (FSG). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted
- The services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 246901**
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Interests in managed investments schemes (excluding investor directed portfolio services)
- Securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the Internalisation or possible Internalisation of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither KPMG, nor any of its executive directors, directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). Our executive directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Proposal

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001 or Toll free: 1300 78 08 08 or by Facsimile: (03) 9613 6399

Contact Details

You may contact us using the contact details set out at the top of the letterhead on page 1 of this report.

5 The Internalisation

The Internalisation will result in:

- the transfer of MAML from Macquarie to a subsidiary of MAT 2 and termination of the resources agreement between Macquarie to MAML
- ending the advisory agreement between MAL and MCFEL, also a wholly owned subsidiary of Macquarie, in relation to advice provided by MCFEL to MAL.

In addition:

- Macquarie executives who have generally performed services for MAp in the past will be offered the opportunity to transfer to MAp
- MAp will receive $1.6 million per annum in relation to the management of other investors' interests in airports in which MAp has an interest
- Macquarie and MAp will enter into a Transitional Services Arrangement and a Secondment Agreement, as described in the Explanatory Memorandum
- the Internalisation is conditional upon approval by over 50 percent of the votes cast by non-associated Securityholders.

We also note that the structure being proposed for the Entitlement Offer assumes Macquarie's participation will be under one of the exceptions to Section 611 of the Act.

6 Scope of the report

6.1 Purpose

Our opinion in relation to the Internalisation has been prepared pursuant to the ASX Listing Rules.

Listing Rule 10.1 issued by the ASX states that where an entity (or in the case of a trust the responsible entity) proposes to acquire a substantial asset from, or dispose of a substantial asset to, a related party, the entity must obtain the prior approval of the non-associated security holders. Listing Rule 10.2 describes a substantial asset as an asset that has a value, or in the ASX's opinion has a value, of at least 5 percent or more of the equity interests of the entity as set out in the latest accounts lodged with the ASX pursuant to the Listing Rules. The internalisation of the management of MAp and the issue of MAp securities represents such a transaction and, in this regard, the Independent Directors of MAp have asked KPMG to prepare this IER in accordance with the requirements of Listing Rules 10.10.2 which notes that the Notice of Meeting convening the meeting of Securityholders for the purpose of approving the Internalisation should be accompanied by a report from an independent qualified person:

"The report must state whether the transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes are not to be disregarded. Unless the opinion is that the transaction is fair and reasonable, the opinion must be displayed prominently in the notice of meeting and on the covering page of any accompanying documents".

There is no definition of the term "fair and reasonable" in the ASX Listing Rules. However, we note that the Internalisation, and its approval by the non-associated Securityholders, is similar to an acquisition required to be approved by security holders pursuant to section 611 item 7 of the Act.

Section 611 item 7 allows for an acquisition previously approved by a resolution passed at a general meeting of the company in which the said acquisition is proposed to be made. In passing the resolution, no votes may be cast by the potential acquirer or their associates or by the persons from whom the acquisition is to be made or their associates.

In the context of the Internalisation, RG 111 notes:

- 'fair and reasonable' is not regarded as a compound phrase (paragraph 9)
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer (paragraph 10)
- an offer is 'reasonable' if it is 'fair' (paragraph 11)
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer (paragraph 11).

6.2 Basis of assessment

In forming our opinion on the Internalisation we have considered, in particular, the following issues:

- the terms of the constitutions for MAT 1 and MAT 2 and the advisory agreement with MAL (collectively the Management Arrangements) in place including, but not limited to:
  - fees
  - potential term
  - termination provisions
- the implications if the Internalisation is approved, including the on-going cost of the management internalisation and funding of the consideration
- transition arrangements
- change of control provisions in relation to MAp's underlying assets that may be triggered as a result of the Internalisation
- the implications if the Internalisation is not approved

- any other advantages and disadvantages of the Internalisation.

6.2.1 Valuation approach

RG 111.53 indicates that it is appropriate for an independent expert to consider the following valuation methods:

- the discounted cash flow method
- the capitalisation of future maintainable earnings or cash flows (Capitalisation of earnings)
- the amount that would be distributed to shareholders in an orderly realisation of assets
- the amount which an alternative acquirer might be prepared to pay, or
- the most recent quoted price of listed securities.

We consider it is appropriate to apply the following approaches in considering the Internalisation:

- determine the value of the likely future management fees to be paid by MAp utilising a discounted cash flow approach
- value any incremental costs to be paid by MAp using a discounted cash flow approach based upon the return required by MAp.

6.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. Nothing in this report should be taken to imply that KPMG has verified any information supplied to us, or has in any way carried out an audit of the books of account or other records of MAp for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with MAp management in relation to the nature of the MAp business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation. However, it is our view that all material information that we have relied upon in forming our opinion is reasonable for that purpose.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG included budgeted financial information prepared by the management of MAp. Whilst KPMG has considered this budgeted information in preparing this report, MAp remains responsible for all aspects of this budgeted information. Achievement of budgeted results is not warranted or guaranteed by KPMG. Budgeted results are by their nature uncertain and are dependent on a number of future events that cannot be guaranteed. Actual results may vary significantly from the budgeted/prospective results relied on by KPMG. Any variations from budgeted results may affect our valuation and opinion.

The opinion of KPMG is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

6.4 Disclosure of information

In preparing this report, KPMG has had access to all financial information considered necessary in order to provide the required opinion. MAp has requested KPMG limit the disclosure of some commercially sensitive information relating to MAp and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising MAp. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by MAp.

7 Company overview

7.1 Background and operations

MAp is a triple stapled security that listed on the ASX on 2 April 2002. MAp's investment mandate is to invest in existing and proposed airport assets, together with related assets or assets derived from the existence of an airport. These investments are made to maximise cash distributions and capital growth, by improving the business operations, capital management, and obtaining stable long-term cash yields.

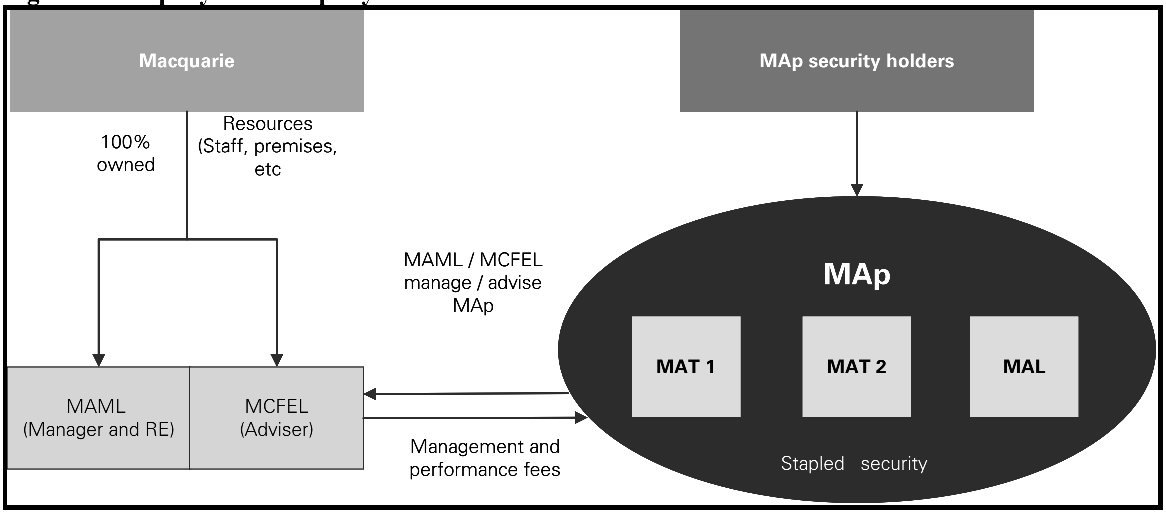
MAp adopts an active management approach, working closely with airport management to identify strategies to grow the business, expand operational performance and increase returns for investors over time.

The market capitalisation of MAp approximated $4.2 billion as at 3 August 2009.

7.1.1 Ownership Structure

MAp comprises MAT 1, MAT 2 and MAL that operate under a stapling arrangement as set out in the figure below.

Figure 1: MAp stylised company structure



Source: MAp website

In relation to the figure above, we note:

- MAT 1 and MAT 2 are Australian registered managed investment schemes managed by MAML. MAT 1 was created to acquire non-controlling interests in Australian airports while MAT 2's focus was to acquire controlling interests in Australian airports

- MAL is a Bermudian company that forms the third element of MAp's triple stapled structure. MAL was set up to acquire interests in non-Australian airports. MAL has a separate advisory agreement with MCFEL

- a stapling deed is in place between MAT 1, MAT 2 and MAL, and both MAML and MCFEL, setting out co-operation arrangements for the operation of the stapled structure.

Because of their interests in Sydney Airport, MAT 1 and MAT 2 have been declared substantially Australian investment funds under the Airports (Ownership Interests in Shares) Regulations 1996 and, as such, these funds must not, at any time become a trust in which more than a beneficial interest of 40 percent of the income or capital is held by persons who are foreign persons as defined under the Airports Act 1996. Under the MAT 1 and MAT 2 constitutions, MAp has the power to make foreign MAp Securityholders divest their ownership interests in MAp once the foreign ownership of MAp reaches 39.5 percent. If a foreign MAp Securityholder fails to dispose of its MAp stapled securities, MAp may sell those securities at the best price reasonably obtainable at the time.

We note that the current foreign ownership interest in MAp, as at 6 July 2009 is 35.2 percent, including the beneficial impact of Tradeable Interest-bearing Convertible to Equity Trust Securities (TICkETS). Excluding the impact of TICkETS, MAp's foreign ownership level would be 41.7 percent. We note MAp has stated that TICkETS will be redeemed on 31 December 2009.

7.1.2 Management and boards

MAp is governed by two boards of directors being the boards of MAML (as responsible entity for MAT 1 and MAT 2) and MAL. Set out in the table below are the directors of MAML and MAL.

Table 2: Directors of MAML and MAL

MAML		MAL	
Position	**Name**	**Position**	**Name**
Non-executive Chairman	Max Moore-Wilton	Independent Chairman	Jeff Conyers
Independent Director	Trevor Gerber	Non-executive Director	Sharon Beesley
Independent Director	Bob Morris	Independent Director	Stephen Ward
Independent Director	Michael Lee	Non-executive Director	Max Moore-Wilton

Source: MAp 2008 Annual report

We note MCFEL (as adviser to MAL) has director appointment rights of 50 percent of the board of MAL (being the holder of the A Special Share) and can appoint any one of those directors to be the managing director, while MAML (as responsible entity of MAT 1) has director appointment rights for 25 percent of MAL (being the holder of the B Special Share). In this regard we also note that entities associated with MGL would appoint the entire board of MAML.

The directors appointed by the respective special shares may only be removed by the holder of the special share. MAL may repurchase the A Special Share with the consent of the shareholder or without consent, following notice to the A Special Shareholder or upon termination of the advisory agreement.

MCFEL and MAML have undertaken to appoint directors in accordance with a securityholder vote in general meetings until at least 2011. There is no obligation on either MCFEL or MAML to continue these arrangements after that date.

7.2 Airport asset portfolio

Since its inception in 2002, MAp has managed its investments in a number of airport assets in Australia and around the world. MAp's beneficial interests in its portfolio of airport assets as at 31 December 2007 and 2008 and as at 30 June 2009 are set out in the table below.

Table 3: Investment profile

As at	Beneficial interest (%)	Beneficial interest (%)	Beneficial interest (%)
Asset	**31-Dec-07**	**31-Dec-08**	**30-Jun-08**
Sydney Airport	72.1	72.1	74.0
Brussels Airport	62.1	36.0	36.0
Copenhagen Airports	53.7	26.9	26.9
Bristol Airport	32.1	35.5	35.5
Japan Airport Terminal (JAT)	14.9	14.9	14.9
Grupo Aeroportuario del Sureste (ASUR)	3.6	16.0	16.0

Source: Macquarie Airports Management Information Report for the periods ended 31 December 2008 and 30 June 2009

In relation to the table above, we note:

- MAp's interests in its airport assets are subject to pre-emptive rights, including rights which are triggered on a change of control or removal of the manager. These rights exist in relation to MAp's investments in Brussels Airport, Copenhagen Airports and Bristol Airport and allow the counterparty the right to purchase the exiting party's interest at fair value. MAp has a corresponding pre-emptive right if there is a change of control of the other shareholders or their managers. In addition, a resulting change of control may also trigger an immediate repayment or renegotiation of terms of the individual asset's debt

- On 20 August 2008, MAp announced that it was disposing a 50 percent interest in Macquarie Airports (Europe) No.2 S.A. (MAESA2), the holding entity for MAp's investment in Copenhagen Airports. In addition, MAp divested 42 percent of its interest in Macquarie Airports (Brussels) S.A. (MABSA), the holding entity for MAp's investment in Brussels Airport. This transaction was completed on 5 November 2008 for a consideration of €941.1 million. Consequently, MAp was deemed to have lost control for accounting purposes of Copenhagen Airport and Brussels Airport on 5 November 2008. We note the carrying value of the sale interest in Brussels Airport and Copenhagen Airports as at 30 June 2008 was €912 million (refer section 9.1)

- MAp holds its beneficial interest in Bristol Airport through a 70.9 percent interest in Macquarie Airports Group Limited (MAG) which in turn holds a 50 percent beneficial interest in Bristol Airport. On 15 May 2008, MAG was restructured into a separate holding company, and renamed Bristol Airport (Bermuda) Limited (BABL).

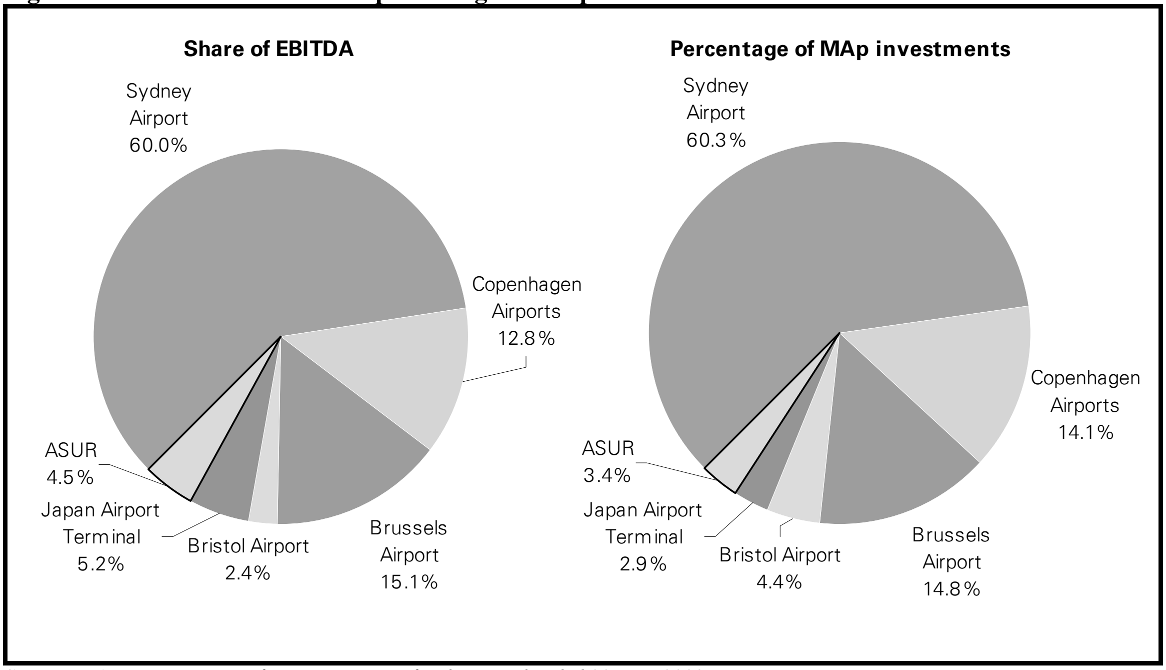
- On 12 December 2008, Southern Cross Airports Corporation Holdings Limited (SCACH), the holding company for Sydney Airport announced it had issued new stapled securities to its existing securityholders raising $250 million in new capital, of which MAp contributed $182 million. On 13 January 2009, SCACH completed a further $263 million equity issue of which MAp paid two instalments of $144.4 million and $55.5 million to SCACH. Following this transaction, MAp's interest in Sydney Airport increased to 72.4 percent

- On 24 June 2009, MAp announced that it had made a further equity investment of $711 million in Sydney Airport to eliminate the term debt of Sydney Airport that was scheduled to mature in September 2009 and November 2009. MAp's investment was in part made as a result of exercising pre-emptive rights held by MAp when minority investors elected not to participate in the recapitalisation. Following this re-capitalisation, MAp's ownership interest in Sydney Airport increased to 74.0 percent

- On 30 July 2009, the tender of MAp's holdings in JAT's buyback tender offer. was accepted at a price of JPY1,000 per security. The potential divestment value of MAp's entire interest under this offer is estimated at approximately $260 million including the benefit of currency hedging arrangements. The cash was received on 3 August 2009.

For the six months ended 30 June 2009, the respective airport contribution to MAp proportionate earnings before interest, tax, depreciation and amortisation (EBITDA) and investment holdings are outlined in the figure below.

Figure 2: Share of EBITDA and percentage of MAp investments as at 30 June 2009



Source: MAp Management Information Report for the period ended 30 June 2009

In relation to the figure above, we note MAp's key investment is its investment in Sydney Airport, which comprised 60 percent of MAp's proportionate EBITDA (pre specific gains/losses) and 60.3 percent of the value of MAp's investment portfolio.

7.3 Historical financial performance

MAp's proportionately consolidated EBITDA for the years ended 31 December 2007 and 31 December 2008, and the six months ended 30 June 2008 and 30 June 2009 are set out in the table below.

Table 4: MAp's proportionate earnings

For the period ending $ million unless otherwise stated	31-Dec-07 12 months	31-Dec-08 12 months	30-Jun-08 6 months	30-Jun-09 6 months
Passenger Traffic ('000s)	**56,841**	**57,577**	**28,757**	**23,446**
Airport assets revenue	1,511	1,613	782	682
Airport assets operating expenses	(590)	(657)	(315)	(286)
Total airport assets EBITDA (pre specific gains/losses)	**921**	**956**	**467**	**397**
Airport specific gains / (losses)	17	(6)	(2)	(4)
Total airport assets EBITDA	**938**	**950**	**465**	**393**
Corporate expenses	(89)	(52)	(29)	(17)
EBITDA	**849**	**898**	**436**	**376**
Airport assets economic depreciation	(64)	(51)	(25)	(19)
Earnings before Interest and Tax (EBIT)	**785**	**846**	**411**	**357**
Airport assets net interest expense	(385)	(429)	(211)	(183)
Corporate net interest expense	63	83	42	20
Hybrid capital interest expense	(59)	(49)	(29)	0
Net tax expense	(70)	(90)	(36)	(20)
Proportionate earnings	**335**	**361**	**176**	**174**
Concession net debt amortisation	(0)	(1)	(0)	(1)
Non-recurring termination fee^	-	(76)	(76)	0
Proportionate earnings less allowance for concession asset net debt amortisation and non-recurring items	**334**	**284**	**99**	**173**
Airport assets EBITDA margin (%)	*61.0%*	*59.2%*	*59.7%*	*58.1%*
EBITDA margin (%)	*56.2%*	*55.7%*	*55.7%*	*55.1%*
Revenue growth (%)	*n/a*	*6.8%*	*n/a*	*-12.8%*
Proportionate EPS (pre-corporate expenses) (cents)	*24.7*	*24.1*	*11.2*	*10.1*
Proportionate EPS (cents)	*19.5*	*21.0*	*10.2*	*10.2*

Source: MAp Management information Report for the year ended 31 December 2008 and the period ended 30 June 2009
Note ^: Proportionate share of €73 million termination fee was paid in respect of the restructure of Macquarie Airports Group Limited (renamed Bristol Airports (Bermuda) Limited as disclosed on 16 May 2008

In relation to the table above, proportionate consolidation takes into account MAp's proportionate ownership of an asset throughout the reporting period. Where MAp's ownership of an asset changes during a reporting period (or where an asset is acquired or disposed of) the asset's financial performance for the period is included on a time-weighted ownership basis.

In relation to the financial performance for the 12 months ended 31 December 2008, we note:

- Total airport assets EBITDA (pre-specific gains / losses) increased 3.8 percent to $955.8 million primarily due to operational performance of the airports (increased passenger traffic of 1.3 percent) and changed composition of the portfolio through the divestments of Rome Airports and Birmingham Airport in 2007 and partial divestments of Brussels Airport and Copenhagen Airports in 2008

- Airport assets economic depreciation decreased 20.1 percent to $51.3 million, reflecting the decrease in the average beneficial interest of airport assets during the year. Economic depreciation includes long term maintenance capital expenditure, and is assessed at the beginning of the financial year and reviewed quarterly (calculated on a per passenger basis with the exception of Sydney Airport and JAT)

- Airport assets net interest expense increased 11.3 percent to $428.6 million due to a drawdown of senior debt in the third quarter of 2007. This relates to Sydney Airport and the 2007 refinancing at Brussels Airport, which is partially offset by 2007 and 2008 divestments noted above

- Corporate expenses decreased from $89 million in 2007 to $52.1 million in 2008 as a result of lower management fees, due to the decline in the MAp security price (refer to section 7.8) and significant cash reserves held by MAp over the last 12 months

- Corporate net interest income increased from $63.3 million in 2007 to $83.0 million in 2008 as a result of interest earned on cash received from the divestments in 2007 and 2008, which was offset by falling average yields on cash deposits when compared to 2007

- Hybrid capital expense reduced during the period resulting from the withdrawal of TICkETS prior to the defeasance.

In relation to the financial performance for the 6 months ended 30 June 2009, we note:

- Total airport assets EBITDA (pre-specific gains / losses) decreased by 15.1 percent over the 6 months to 30 June 2009 to $397 million primarily as a result of MAp's disposal of its interests in Brussels Airport and Copenhagen Airports in 2008 and a decrease in passenger traffic, due to the global financial climate reducing routes and passenger demand during 2009. On a proforma basis total airport assets EBITDA decreased from $412.5 million to $392.9 million, representing a 5 percent decrease

- No hybrid capital interest expense was incurred in the six months ended 30 June 2009 following the defeasance of TICkETS in November 2008

- Airport assets net interest expense decreased 13.3 percent to $183 million due to the divestments of Brussels and Copenhagen Airports, a $681.1 million decrease in Sydney Airport debt facilities partially offset by the refinancing of senior debt in the first quarter of 2009 at Copenhagen Airports

- Corporate expenses have decreased by 43 percent to $17 million primarily due to lower management fees from a lower MAp security price compared to the six months to 30 June 2008 combined with significant cash reserves held by MAp.

Under the Income Tax Assessment Acts, MAT 1 is not liable for income tax provided the taxable income of MAT 1 is fully distributed to securityholders each year and MAT 2 is taxed in a similar way to a company for income tax purposes. MAL is not subject to income tax in Bermuda.

7.4 Cash flows

MAp's audited cash flow statements for the years ended 31 December 2007 and 31 December 2008 and the period ended 30 June 2009 are set out in the table below.

Table 5: MAp's cash flow statements

For the period ending $ million	31-Dec-07 12 months	31-Dec-08 12 months	30-Jun-09 6 months
Dividend and distribution income received	45	15	44
Interest and investment income	352	183	51
Airport revenue received (incl. GST)	1,464	2,074	441
Operating expenses paid by airport operating entities (incl GST)	(545)	(879)	(135)
Operating expenses paid (incl GST)	(10)	(14)	(4)
Responsible Entity and Adviser base fees paid	(90)	(57)	(13)
Adviser's performance fees paid	(54)	(91)	0
Income taxes paid (including net indirect taxes)	(43)	(86)	(10)
Other income received	5	7	0
Net cash flows from operating activities	**1,125**	**1,151**	**374**
Repayment received of loan to Macquarie Airports (Brussels SA)	70	0	0
Payments for purchase of subsidiaries and investments net of cash acquired	(1,351)	(204)	0
Proceeds received upon sale of subsidiaries and investments, net of cash disposed	2,607	1,367	0
Proceeds from maturation of short term investments	617	0	31
Payments for short term investments	0	(838)	0
Payments for purchase of fixed assets	(309)	(550)	(167)
Other	(57)	(5)	0
Net cash flows from investing activities	**1,577**	**(231)**	**(137)**
Proceeds received from securities issued and borrowings from minority interests	233	68	173
Payments for MAp security buyback	0	(10)	(18)
Proceeds received from borrowings	1,977	1,098	2
Repayment of borrowings (made)/received	(1,763)	(807)	(870)
Borrowing costs paid	(530)	(710)	(234)
Distributions paid to MAp Securityholders	(324)	(533)	(240)
Distributions, dividends and returns of capital paid to minority interests	(827)	(364)	(35)
Net cash flows from financing activities	**(1,234)**	**(1,257)**	**(1,222)**
Net increase/(decrease) in cash assets held	**1,467**	**(337)**	**(984)**
Cash assets at the beginning of the year	1,077	2,567	2,314
Exchange rate movements	22	84	(17)
Cash assets at the end of the year	**2,567**	**2,314**	**1,312**

Source: MAp comprising Macquarie Airports Trust (1) and its controlled entities Macquarie Airports Trust (2) and its controlled entities Financial Report for the year ended 31 December 2008 and the Interim Financial Report for the half year ended 30 June 2009

In relation to the table above, we note:

- Airport revenues received (and operating expenses paid) for the year ended 31 December 2008 have increased from Brussels Airport being consolidated up to 5 November 2008, offset by reduced dividend, distribution, interest and investment income from non-controlled assets

- Cash flows from investing activities for the year ending 31 December 2008, incorporates $833.9 million invested by the TICkETS Defeasance Trust (TDT) in short term investments during the year. The TDT was established as a non-recourse vehicle and funded to cover MAp's future obligations under the TICkETS.

7.5 Balance sheet

MAp's audited consolidated balance sheet as at 31 December 2007, 31 December 2008 and 30 June 2009 are set out below.

Table 6: MAp's balance sheet

As at $ million	31-Dec-07	31-Dec-08	30-Jun-09
Cash and cash equivalents	2,567	2,314	1,312
Other current assets	653	1,430	1,780
Total current assets	**3,220**	**3,744**	**3,092**
Investment in financial assets	1,245	3,011	2,367
Property plant and equipment	8,383	2,458	2,529
Intangible assets	10,888	8,271	8,219
Other non-current assets	453	50	57
Total non-current assets	**20,970**	**13,790**	**13,172**
Total assets	**24,189**	**17,533**	**16,264**
Distribution payable	309	240	222
Payables	868	669	701
Interest bearing liabilities	115	1,617	753
Financial liabilities at fair value	421	97	80
Other current liabilities	122	57	113
Total current liabilities	**1,836**	**2,679**	**1,869**
Interest bearing liabilities	11,472	5,989	6,089
Deferred tax liabilities	3,613	2,021	2,020
Other non-current liabilities	218	292	60
Total non-current liabilities	**15,303**	**8,302**	**8,168**
Total liabilities	**17,139**	**10,981**	**10,037**
Net assets	**7,050**	**6,552**	**6,227**
Contributed equity	3,620	3,610	3,592
Retained profits	572	2,643	2,227
Reserves	474	(60)	(191)
Minority interest in controlled entities	2,385	359	599
Total equity	**7,050**	**6,552**	**6,227**
Net asset value (NAV) - $ per security (rounded)	*5.06*	*4.70*	*4.30*
Weighted average number of securities – million	1,715	1,718	1,707

Source: MAp comprising Macquarie Airports Trust (1) and its controlled entities Macquarie Airports Trust (2) and its controlled entities Financial Report for the year ended 31 December 2008 and Interim Financial Report for the half year ended 30 June 2009 and MAp Management Information Report for the year ended 31 December 2008 and the period ended 30 June 2009

In relation to the table above, we note:

- The decrease in total and net assets in 2008 compared to 2007 relates primarily to the deconsolidation of BABL, Copenhagen Airports and Brussels Airport following MAp's deemed loss of control of the investments. As a consequence of this deconsolidation, a number of balance sheet accounts including property, plant and equipment, intangible assets, deferred tax liabilities and interest bearing liabilities decreased significantly during the period with MAp's remaining beneficial interests in these investments recognised in 'investments in financial assets'

- Other current assets of $1,780 million as at 30 June 2009 primarily consist of an $807 million investment made by the TDT in short term investments

- Investments in financial assets increased to $3.0 billion as at 31 December 2008 as a result of the deconsolidation of Brussels Airport and Copenhagen Airports, following MAp's sale of part of its interest in MABSA and MAESA2 respectively. Since 31 December 2008, the value of MAp's (non-current) investments in financial assets has declined to $2.4 billion as a result of a decrease in proforma airport valuations and the intended sale of MAp's interest in JAT (recognised in current other assets)

- Other non-current liabilities includes a derivative financial liability in relation to Sydney Airport of $285.8 million in 2008 compared to a $178.4 million asset (recognised in other current assets) in 2007. This liability occurred as a result of hedging their floating rate interest bearing liabilities. As interest rates since 2007 have declined significantly, a derivative financial liability was recognised in 2008. Since then, interest rates have increased resulting in a lower derivative financial liability of $130 million as at 30 June 2009

- Financial liabilities at fair value declined from $421 million at 31 December 2007 to $97 million at 31 december 2008 due to the derecognition of a convertible loan payable advanced by minority interest shareholders in MABSA to fund the acquisition of Brussels Airport on 24 November 2004 following MAp's loss of control of MABSA

- Refer to section 7.7 for a discussion on interest bearing liabilities and debt balances of MAp

- Retained profits increased by $2.1 billion to $2.6 billion in 2008 primarily as a result of the gain on deconsolidation of MAp's subsidiaries MABSA and MAESA2 for $1.551 billion (before minority interests) and the deconsolidation of BABL. In addition, following this sale, MABSA and MAESA2 were not required to be consolidated, reducing the outflow of retained profits to minority interests of these entities. Retained profits have since declined to $2.2 billion as at 30 June 2009 primarily due to the consolidated loss attributable to MAp for the half year of $299.4 million and distributions provided or paid for of $221.8 million

- Reserves decreased by $534 million as at 31 December 2008 due to transfers from the reserve account to retained profits. This transfer was made to account for distributions declared for the year ($464 million), deconsolidation of subsidiaries resulting in the recognition of foreign currency translation effects ($163 million), and was offset by cash flow hedges ($36 million) made for the deconsolidation of subsidiaries

- As at 30 June 2009, the NAV was calculated as follows:

Table 7: NAV

$ million	Beneficial interest 31-Dec-08	Beneficial interest 30-Jun-09
Sydney Airport	3,621	4,069
Copenhagen Airport	1,054	954
Brussels Airport	1,114	997
Bristol Airport	337	298
JAT	280	193
ASUR*	252	232
Cash	1,402	590
NAV attributable to MAp securityholders	**8,060**	**7,333**
NAV per security (rounded ($))	**4.70**	**4.30**

Source: MAp Annual Report for the year ended 31 December 2008, MAp Management Information Report for the period ending 30 June 2009
Note: This represents the directors valuations of airport investments. Excludes hybrid capital following the withdrawal offer and subsequent defeasance of TICkETS
Note: Inlcudes MAp's additional economic interest in ASUR of 8 percent through a series of swap arrangements*

Details as to the calculation of NAV are set out in section 7.6, below.

7.6 Calculation of NAV

Note 1 to MAp's audited financial statements as at 31 December 2008 indicates that unlisted investments in airport assets "are brought to account at fair value, determined in accordance with a valuation framework adopted by the directors. Discounted cash flow analysis is the methodology applied in the valuation framework as it is the generally accepted methodology for valuing airports and the basis upon which market participants have derived valuations for airport transactions." Further, the financial statements note that "the valuation derived from the discounted cash flow analysis is periodically benchmarked to other sources such as independent valuations and recent market transactions to ensure that the discounted cash flow valuation is providing a reliable measure. The directors have adopted a policy of commissioning independent valuations of each of the assets on a periodic basis, no longer than three years."

The discount rates applied to each of the airport assets are:

- Copenhagen Airports, 13.4 percent
- Brussels Airport, 12.2 percent
- Bristol Airport, 14.3 percent.

In relation to Sydney Airport, MAp undertakes an annual impairment test of the carrying value of goodwill in accordance with Australian Accounting Standards. In this regard, Note 12 to the Concise Financial Report as at 31 December 2008 indicates that:

- the value of Sydney Airport is considered on the basis of "fair value less cost to sell", which is an acceptable approach pursuant to Australian Accounting Standard AASB 136 "Impairment of Assets", issued by the Australian Accounting Standards Board

- a discounted cash flow methodology has been applied
- a discount rate of 15.1 percent has been adopted
- directors have adopted a policy of commissioning independent valuations on a periodic basis, no longer than three years.

In our opinion, the approach adopted by MAp and the discount rates applied are not unreasonable and are likely to result in a value of a MAp security which would be supported by the cash flows of the underlying airport assets. In particular we note:

- we have been provided with the financial models underlying each of the MAp valuations
- the models have been "audited" by third parties to confirm their underlying logic and calculations
- the business plan assumptions for the European airports were reviewed by an independent third party consultant at 31 December 2008 and concluded they were reasonable.

In this regard we note that:

- Sydney Airport was valued for MAp and other parties by KPMG as at 31 December 2008. In relation to the NAV as at 30 June 2009, updated operational and financial assumptions have been incorporated in the valuations since 31 December 2008
- in November 2008, MAp completed a transaction involving the sale of 50 percent of its interest in Copenhagen Airports and 42 percent of its interest in Brussels Airport. The consideration totalled €941.1 million. As at 30 June 2008, MAp was carrying its interests in Copenhagen Airports and Brussels Airport at $1,675.9 million and $1,575.4 million respectively. We have calculated the Euro equivalent as follows:

Table 8: Implied carrying value of sold interests

	Copenhagen	Brussels	Total
Carrying value ($ million)	1,675.9	1,575.4	
Interest sold	50.0%	42.0%	
Carrying value of sold interest ($ million)	838.0	661.7	
A$1 = €	0.6084	0.6084	
€ equivalent	**509.8**	**402.6**	**912.4**

Source: KPMG

The transaction therefore supported the valuation as determined by MAp from the financial model provided to us. In their role as independent expert opining on the transaction, Ernst & Young Transaction Advisory Services Limited concluded the sale was fair and reasonable

- JAT was recorded at a net asset value of $279.8 million as at 31 December 2008 and $193.2 million as at 30 June 2009
- the sale of JAT was announced in May 2009 and completed on 3 August 2009 yielding $260.0 million (including foreign exchange hedging benefits).

7.7 Debt

Proportionate debt basis is set out in the table below.

Table 9: MAp's airport assets net debt

As at $m	30-Jun-08	31-Dec-08	30-Jun-09
Airport assets net debt	7,326	6,563	5,774

Source: MAp Management Information Report for the period ended 30 June 2009

In relation to the table above and pursuant to MAp's debt agreements, we note:

- MAp's proportionate share of net debt at each of the airport assets are non-recourse to MAp

- Airport assets net debt has decreased $789 million from 31 December 2008 to $5,774 million as at 30 June 2009 reflecting a $212.1 million decrease as a result of the appreciation of the Australian dollar against the Euro and Danish Kroner and $577.0 million decrease from deleveraging Sydney Airport debt in the first quarter of 2009 offsetting any additional drawdowns on existing or new facilities for capital expenditure, working capital requirements and the increase in MAp's proportionate share of net debt at Sydney Airport pursuant to the equity raisings during the period

- Terms of the debt agreements outline that the lenders, in the event of certain changes of control at Brussels Airport, Bristol Airport and Copenhagen Airports, lenders may require refinancing or repayment of existing debt facilities. If these change of control provisions are triggered, MAp may be required to provide equity injections or compensation to co-investors

- MAp has no material debt maturities until September 2011 and a weighted average maturity of six years. MAp's key airport debt metrics are outlined in the table below:

Table 10: MAp's key airport debt metrics

MAp	Credit Rating	Next maturity
Sydney	BBB[1]	Sep-11[2]
Copenhagen	BBB	Mar-12
Brussels	BB+	Jun-15
Bristol	n/a	Mar-13

Source: MAp 2008 Full year results presentation, MAp 2009 Interim results presentation
Note: Excludes $43 million in working capital facilities maturing in December 2009. Copenhagen includes Copenhagen and MACH combined

- Net debt has been substantially hedged until 2012

- Loans from Macquarie Airports Reset Exchange Securities Trust (MAREST) represent the outstanding funds raised through TICkETS in 2004 and 2006. The economic defeasance of the TICkETS was completed on 12 November 2008

[1] Senior debt rating.
[2] MAp Annual Report for the year ended 31 December 2008.

- On 20 August 2008, MAp announced a withdrawal offer for TICkETS. This was completed on 19 September 2008 with 1,463,574 TICkETS withdrawn at a total cost of $151.4 million. We note MAp has stated an intention to redeem TICkETS on 31 December 2009

- The Sydney Airport bank facilities, capital index bonds and medium term notes are secured by fixed and floating charges over the Sydney Airport assets, and undertakings of the SCACH group and a mortgage over the term lease. Guarantees in respect of the capital index bonds and medium term notes are provided by MBIA Insurance Corporation and Ambac Assurance Corporation. Sydney Airport has an undrawn balance of $572 million on these bank facilities.

7.8 Capital structure

7.8.1 General

At 31 March 2009, MAp had 1,706.1 million stapled securities on issue. MAp's top 10 Securityholders, as at 31 March 2009, are set out in the table below.

Table 11: Top 10 MAp Securityholders as at 31 March 2009

Securityholder	Total number of securities held	Percent of securities on issue
MGL [3]	379,794,566	22.26%
The Capital Group	152,608,583	8.94%
The AXA Group	124,076,906	7.27%
Artio Global Management LLC	38,284,576	2.24%
Thornburg Investment Management Inc	19,696,319	1.15%
IG Investment Management Limited	16,139,597	0.95%
CI Investments Inc	10,078,610	0.59%
Argo Investments Ltd	8,734,743	0.51%
ING Investment Management Co	7,943,469	0.47%
Invesco Asset Management Limited	7,840,000	0.46%
Total securities held by top ten securityholders and associates	**765,197,369**	**44.85%**
Other stapled security holders (estimated)	940,542,217	55.13%
Unmarketable parcels (estimated)	385,709	0.02%
Total securities on issue	**1,706,125,295**	**100.00%**

Source: MAp 2008 Annual Report, Bloomberg (as at 31 March 2009)

We also note the top 20 Securityholders hold approximately 80 percent of MAp's stapled securities.

[3] Voting power incorporating all holdings. Macquarie's direct interest is 21.0 percent.

7.8.2 Directors interest

As at 31 December 2008, the directors of MAp held the following securities (directly or indirectly).

Table 12: Directors' relevant interests at 31 December 2008

Name	Position	Number of securities
Max Moore-Wilton	Non-executive Chairman (MAML), Non-executive Director (MAL)	602,690
Trevor Gerber	Independent Director (MAML)	170,000
Bob Morris	Independent Director (MAML)	37,500
Stephen Ward	Independent Director (MAL)	20,000
Michael Lee	Independent Director (MAML)	6,078
Jeffrey Conyers	Independent Chairman (MAL)	-
Sharon Beesley	Non-executive Director (MAL)	-
Total		**836,268**

Source: MAp Financial Report for the year ended 31 December 2008, Aspect Huntley

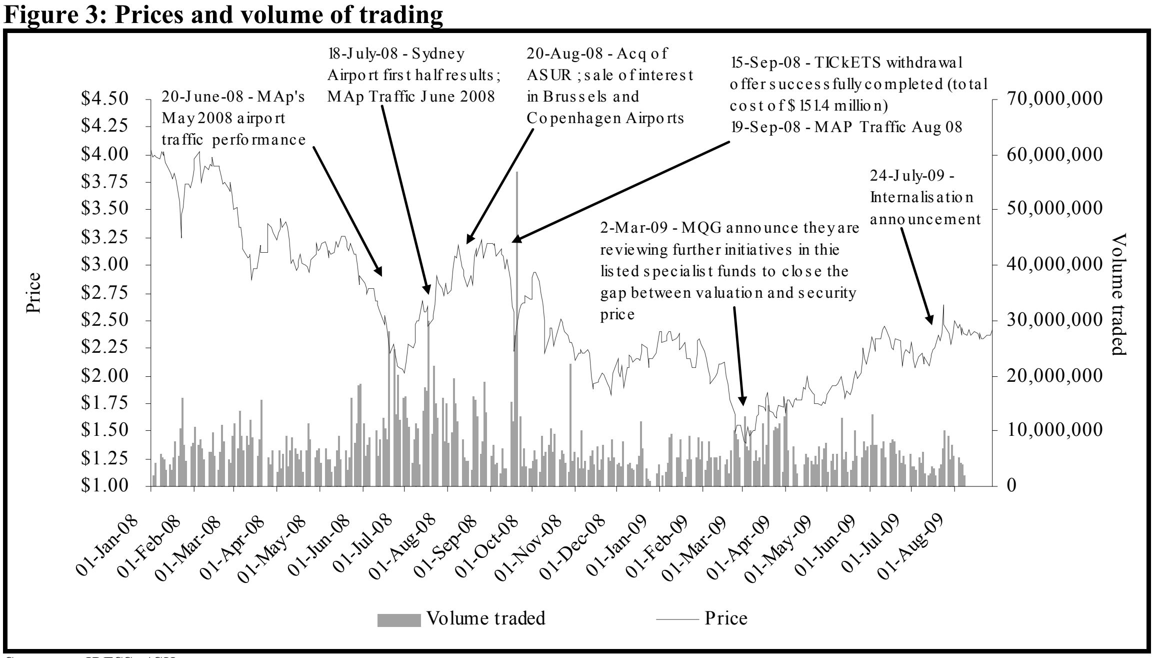
In addition to the above, Kerrie Mather, the Chief Executive Officer of MAp holds 3,258,311 securities (directly and indirectly).

7.9 Security price performance

7.9.1 Recent security market trading

MAp's history and volume of trading for the period from 1 January 2008 to 27 August 2009 is set out below.

Figure 3: Prices and volume of trading



Source: IRESS, ASX announcements

Announcements made since 7 July 2008 that may have had an impact on the market price and trading volumes of MAp stapled securities include:

- on 20 August 2008, MAp announced the sale of 42 percent of its interest in Brussels Airport and 50 percent of its interest in Copenhagen Airports. This was completed on 5 November 2008 for a total cash consideration of $1,810.2 million (€941.1 million)
- on 20 August 2008, MAp announced the acquisition of 5.6.3 percent interest in B shares of Grupo Aeroportuario del Sureste S.A.B. de C.V., the owner and operator of nine airports in south-eastern Mexico. MAp subsequently increased the holding to 8.7 percent by 29 December 2008
- on 19 September 2008, the TICkETS withdrawal offer was successfully completed at a total cost of $151.4 million
- on 17 October 2008, MAp security holders approved an on-market buyback of up to $1 billion in MAp ordinary stapled securities using existing cash reserves following the TICkETS defeasance with the buyback commencing on 27 November 2008. By 31 December 2008, 5,017,378 MAp stapled securities were bought back for consideration of $9.7 million, reflecting security prices between $1.84 and $2.08. An additional 7,510,866 securities were bought back in early 2009 at prices between $1.84 and $2.08. MAp ceased the buyback program on 23 February 2009
- on 12 November 2008, the TICkETS defeasance was successfully implemented via the TDT
- on 12 November 2008, Sydney Airport successfully refinanced $485 million of existing capital expenditure (capex) facilities and raised $859 million of new capex funding
- on 23 February 2009, MAp announced that Sydney Airport will repay term debt of $870 million maturing at the end of 2009, funded by an equity issue to existing shareholders
- on 20 May 2009, MAp agreed to tender its holding (14.9 percent beneficial interest) in JAT into JAT's buyback tender offer
- on 20 May 2009, MAp amended the distribution guidance from 27 cents per security to 21 cents per security (subject to external shocks to the aviation industry and material changes to forecast assumptions)
- on 24 June 2009, MAp completed the deleveraging of $870 million debt maturing at the end of 2009, with MAp contributing $711 million and increasing its interest in Sydney Airport to 74 percent (from 72.4 percent)
- on 20 July 2009, MAp reported on traffic performance of its Airports for June 2009
- on 23 July 2009, MAp requested a trading halt for up to two business days
- on 24 July 2009, being the date of the announcement of the Internalisation, the MAp security price declined 6.8 percent (after having increased 7.8 percent on 23 July 2009), while the ASX200 index increased 0.6 percent

- on 30 July 2009 MAp announced that it expected to exit its entire interest in JAT.

7.9.2 Liquidity

An analysis of the volume of trading in MAp stapled securities, including the VWAP for the period to 23 July 2009 is set out below:

Table 13: Volume of trading in MAp stapled securities prior to 24 July 2009

Period	Price (high)	Price (low)	VWAP	Cumulative volume ('000)	% of issued capital
1 week	2.64	2.24	2.39	17,993	1.0%
1 month	2.64	2.02	2.24	93,897	5.5%
3 months	2.64	1.69	2.12	358,283	20.8%
6 months	2.64	1.31	1.94	756,518	44.0%
12 months	3.28	1.31	2.28	1,678,680	97.7%

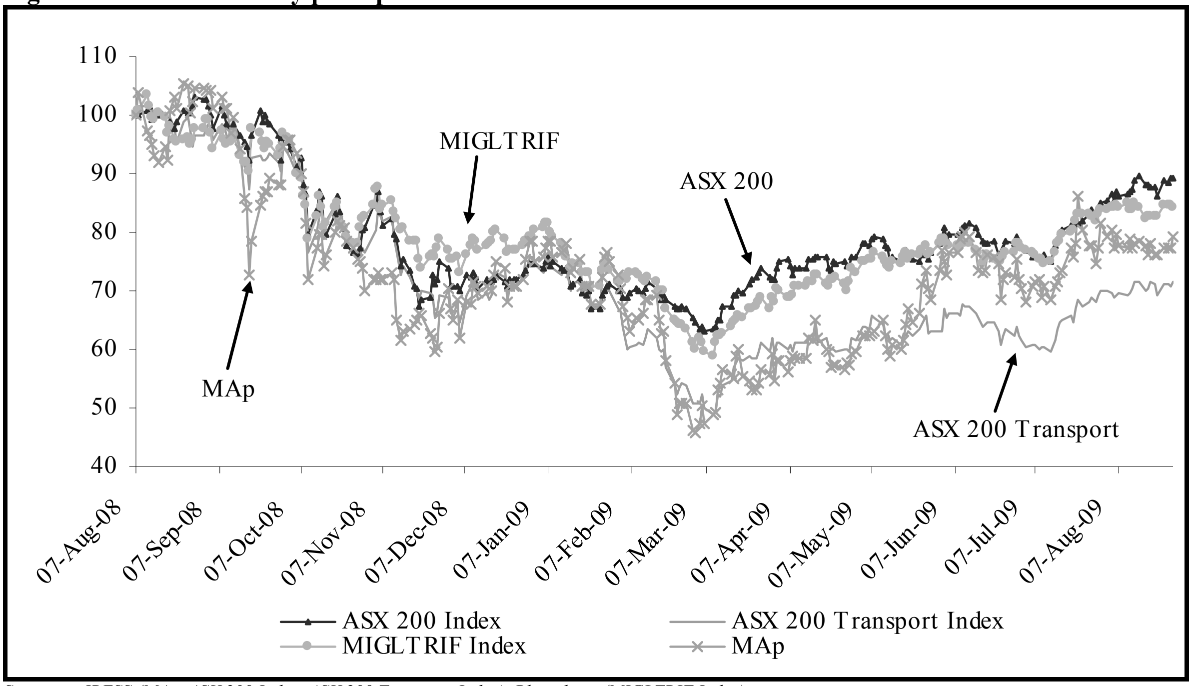
Source: IRESS

7.9.3 Relative security price performance

The figure below illustrates the performance of MAp stapled securities between 28 August 2008 and 27 August 2009, relative to:

- the ASX S&P 200 Index (ASX 200)
- the MSCI World Transport Infrastructure Index (MIGLTRIF)
- the ASX S&P 200 Transport Index.

Figure 4: Relative security price performance



Source: IRESS (MAp, ASX 200 Index, ASX 200 Transport Index), Bloomberg (MIGLTRIF Index)

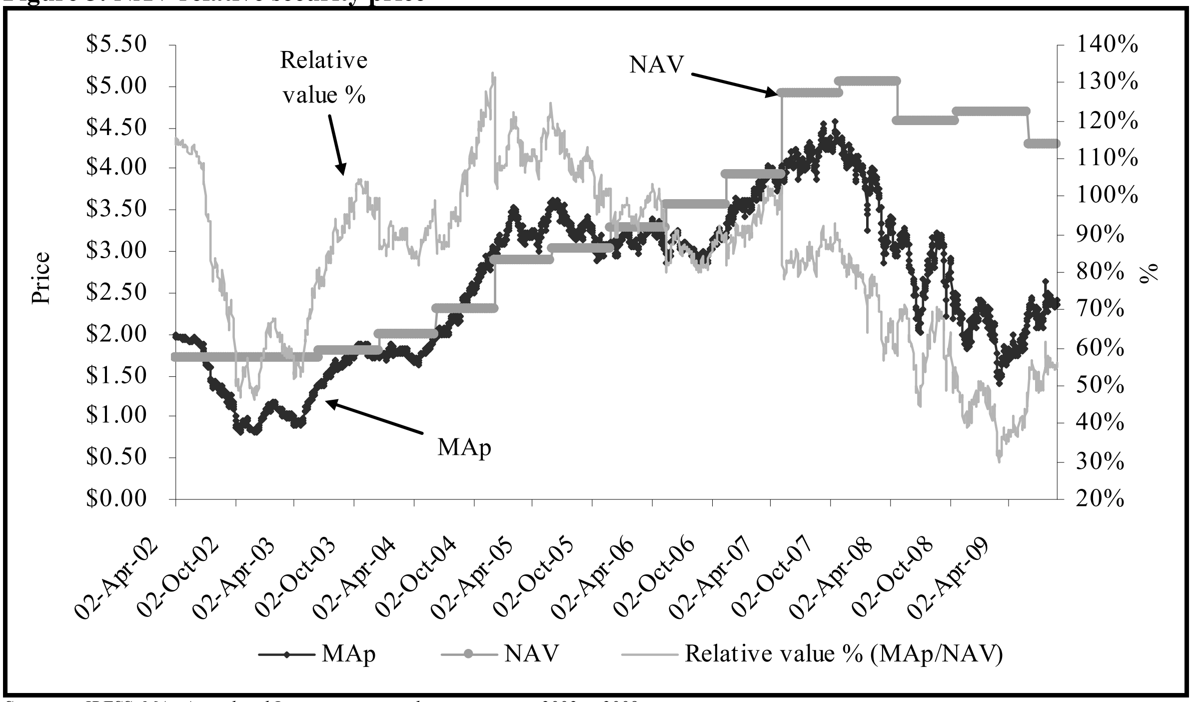
In relation to the figure above we note:

- MAp's security price outperformed the ASX S&P 200 Transport Index over the period;
- MAp's security price declined by 22.7 percent
  - the ASX S&P 200 Index declined by 12.2 percent
  - the MIGLTRIF declined by 11.9 percent
  - the ASX S&P 200 Transport Index declined by 24.5 percent
- the MAp security price was considerably more volatile over the period than the indices.

7.9.4 Security price relative to NAV

The figure below illustrates the performance of MAp stapled securities between 2 April 2002 and 27 August 2009, relative to NAV:

Figure 5: NAV relative security price



Source: IRESS, MAp Annual and Interim reports and presentations - 2002 to 2008

In relation to the table above we note the MAp security price traded around NAV from late 2003 until mid 2007. The MAp security price has underperformed NAV over the last few years, with significant divergence of price over the past year. While difficult to quantify, possible reasons for the underperformance could include:

- divergent views as to the outlook for passenger traffic
- perceptions on leverage and the quantum and timing of refinancing the underlying assets

- concern as to the ongoing validity of the external management model and the management fees payable to Macquarie
- concern over the foreign ownership restrictions which may preclude new foreign investors entering the register.

In the context of the above we note that MAp management have been actively pursuing strategies aimed at delivering value to securityholders. In particular:

- MAp have undertaken partial sales of some of their airport assets at prices equal to the directors' valuation
- the security buy-back was withdrawn in February 2009
- capital has been injected into Sydney Airport
- the MAp distribution guidance was reduced from 27 cents per security to 21 cents per security for 2009
- most recently placed the Internalisation before non-associated Securityholders.

8 Valuation of management fees

8.1 Base management fees

The quarterly base fee for MAp is calculated as:

- 1.50 percent per annum (0.3750 percent per quarter) of the first $500 million of Net Investment Value of MAp; plus
- 1.25 percent per annum (0.3125 percent per quarter) of the next $500 million of Net Investment Value of MAp; plus
- 1.00 percent per annum (0.2500 percent per quarter) of the Net Investment Value of MAp in excess of $1,000 million.

Net Investment Value for any quarter equals:

- the average market capitalisation of MAp over the last 15 trading days of the quarter; plus
- the amount of any external borrowings of MAp at the end of the quarter; plus
- the amount of any firm commitments by MAp to make further investments at the quarter end; less
- cash balances of MAp at the quarter end.

While MAp holds an investment in BABL and BABL is unlisted, amounts paid up on BABL shares held by MAp at the end of the quarter will be deducted from the calculation of Net Investment Value.

While MAp holds any co-investments with BABL, to the extent that MAp's co-investments attract separate management fees payable to Macquarie or its subsidiaries, amounts paid up on any such co-investments with BABL made by MAp will be included in the calculation of Net Investment Value, and MAp's proportionate share of the co-investment management fee will be rebated against the base fee payable by MAp.

In relation to the mechanism for calculating the base management fee we note that, on the basis of the market capitalisation of MAp being in excess of $1 billion, each $0.10 increase in the MAp security price equates to an increase in the base management fees paid by MAp of approximately $1.7 million.

8.2 Performance management fee

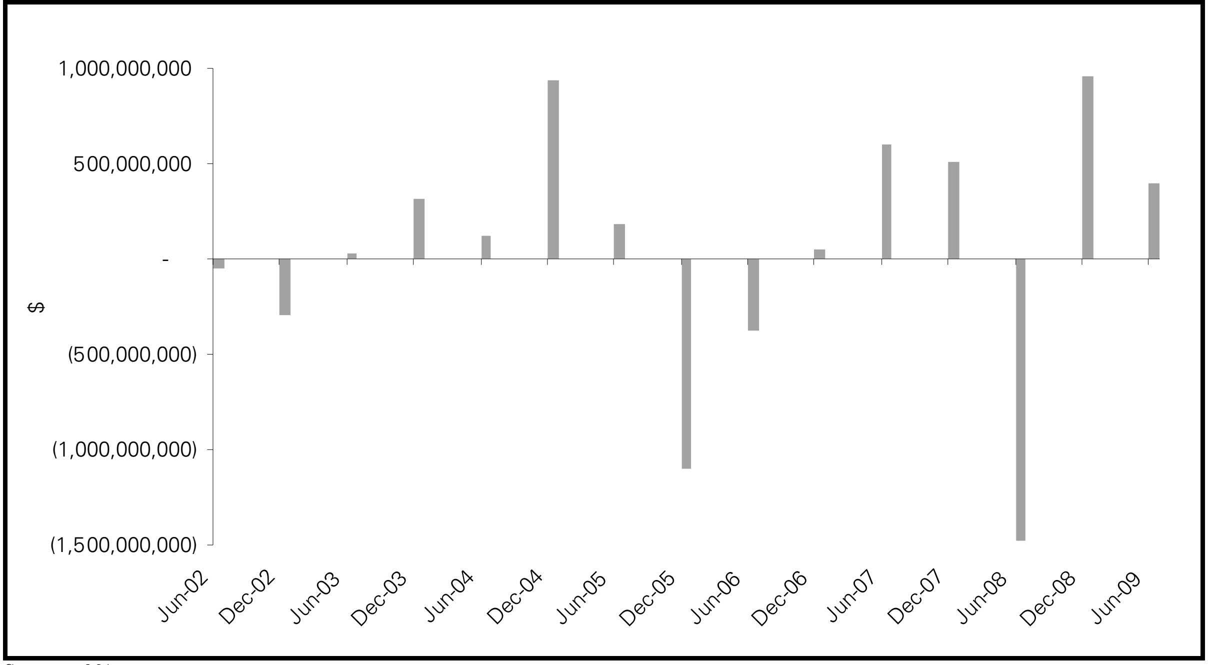
If a performance fee is payable in respect of a period, subject to the Act, the Listing Rules and any other applicable law, the adviser shall be entitled to payment of that fee in cash or to subscribe or to cause an associate of the adviser to subscribe, for that number of securities equal to the amount of the performance fee divided by (and the application price per Security shall be equal to) the greater of:

- the volume weighted average trading price of all Securities traded on the ASX during the last 15 trading days of the relevant period; and
- the net asset backing per Security calculated by the adviser as at the period end date.

Performance fees relate to any return generated by MAp in excess of the return on the Morgan Stanley Capital International World Transportation Infrastructure Accumulation Index measured in local currency (excluding BABL, MAL and, while stapling applies, MAT 1 and/or MAT 2). The performance fee is 20 percent of the out performance. Where MAp underperforms the benchmark, a fee deficit exists. Before any future performance fees can be earned, all accumulated deficits from prior periods of underperformance must be eliminated. As at 30 June 2009, the performance fee deficit approximated $440 million.

We set out below the six monthly (period by period) surplus or deficit as determined in the performance fee calculation.

Figure 6: Performance fee surplus or deficit



Source: MAp

In relation to Figure 6 we note that the six monthly surplus or deficit has become significantly more volatile since June 2004. Further, while there was a surplus for the six months ended 30 June 2009, no performance fee was paid due to the accumulated deficit at that point in time. In this context we note that we have been advised that if the VWAP of a MAp security, in terms of the calculation of a performance fee, was $2.46 (compared to an actual VWAP of $2.29) as at 30 June 2009 the performance fee deficit would have been eliminated. Further, each outperformance of $0.01 in comparison to the benchmark index, in the absence of a performance fee deficit, results in a performance fee of approximately $3.4 million

8.3 Historical management fees

Management fees paid by MAp over the five years ended 31 December 2008 and the half year ended 30 June 2009, totalling $527 million, are summarised below:

Table 14: Historical management fees

Year ended 31 December $ million	2004	2005	2006	2007	2008	Half year 30 June 2009
Base management fee	29	54	58	75	42	15
Performance fee	217	37	-	-	-	-
Total	**246**	**91**	**58**	**75**	**42**	**15**

Source: MAp

Management fees for the 2008 financial year totalling $41.7 million were calculated as follows:

Table 15: Fee calculation

Quarterly fee calculation $'000s	March 08	June 08	September 08	December 08
Average number of securities ('000s)[4]	1,718,654	1,718,654	1,718,654	1,713,636
VWAP[5] ($)	$3.114502	$2.316516	$2.572492	$2.167952
Weighted average market capitalisation	5,352,750	3,981,288	4,421,222	3,715,081
Borrowings	904,160	904,160	757,802	757,802
Cash	(848,717)	(1,104,405)	(979,391)	(2,344,061)
Paid up investment in MAG	(77,660)	(79,242)	(85,878)	(95,216)
Net Investment Value	5,330,533	3,701,801	4,113,755	2,033,606
Base management fee (excl GST)	**14,264**	**10,192**	**11,222**	**6,022**

Source: MAp

8.4 Termination of Management Arrangements

The Management Arrangements have no set term and continues until valid termination. MAp securityholders have a statutory right to remove MAML as responsible entity for MAT 1 and MAT 2 and a contractual right to terminate the Advisory Agreement between MCFEL and MAL if:

- a resolution has been passed that the appointment be terminated by at least 50 percent of the total votes cast by securityholders entitled to vote on the resolution
- MCFEL ceases business or is placed in liquidation
- MCFEL ceases to hold the requisite authorisations to legally perform its obligations
- an associate of Macquarie ceases to be the responsible entity of MAT 1 and MAT 2 and a resolution has been passed that the appointment be terminated by at least 50 percent of the total votes cast by securityholders entitled to vote on the resolution.

In relation to the above we note that:

- in the case of termination by MAp, all directors, executives, employees, representatives, assignees and delegates of MCFEL will cease work at the date of termination (although we note there are obligations under the Act for reasonable assistance to be given by the former responsible entity)
- the Act provides that Macquarie would be entitled to vote on any resolution to remove MAML as responsible entity of MAT 1 and MAT 2.

Macquarie currently has a relevant interest in 22.8 percent in MAp's issued capital and could vote on any resolution to remove Macquarie as manager of MAp. The actual non Macquarie votes at the last 2 general MAp meetings was approximately 55 percent. On this basis Macquarie's effective voting power would be in the order of 35 percent and as such could effectively block any resolution to remove Macquarie as manager.

[4] Average closing number of stapled securities on issue over the last 15 trading days of the month

[5] VWAP per stapled security traded over the last 15 trading days of the month

We also note the following:

- pursuant to the existing debt documents, Macquarie members cannot cease to control certain of MAp's investments. A change of control triggers either immediate repayment or a renegotiation of the terms of the debt. Further, to the extent the change of control results in a loss to other shareholders caused by MAp, MAp may be liable to compensate them

- the shareholders agreement in relation to Brussels Airport states that MCFEL must advise the majority shareholder of Brussels Airport until 2014. Any amendment to the Brussels Airport shareholders agreement will require the consent of the Belgian Government and also, potentially, the lenders to Brussels Airport

- Macquarie intends to co-operate with MAp in its implementation of the Internalisation to ensure that the terms of the shareholders' agreements and debt documents are not adversely affected.

8.5 Additional costs associated with the Internalisation

8.5.1 Implementation costs

As indicated in the Explanatory Memorandum, the costs associated with implementation of the Internalisation have been estimated by MAp to be in the range of $6 million and $8 million. These costs are supported by independent third party analysis indicating a total in the vicinity of $7 million.

8.5.2 Operating costs

Management of MAp have estimated that the costs (including potential future bonus payments) associated with the employees to be transferred from Macquarie and the other costs associated with internalisation of the management of MAp, principally office accommodation and technology costs, will approximate $11.5 million in the first year. This estimate is supported by advice to MAp, which we have considered, of an independent remuneration consultant and an independent party which prepared the estimates of the non-remuneration costs.

Offsetting the above will be the receipt by MAp of $1.6 million per annum in relation to the management of other investors' interests in airports in which MAp has an interest. These fees are currently paid to Macquarie. Therefore, in total, the additional incremental costs to be paid by MAp should the Internalisation be implemented approximate $9.9 million per annum.

8.6 Discount rate

In our opinion, the appropriate rate at which to discount the forecast net, post tax benefit flowing from the Internalisation is MAp's weighted average cost of capital (WACC) as the Internalisation represents an investment by MAp and should be considered in terms of MAp's average funding costs.

The WACC represents an estimate of the weighted required return from both debt holders and equity investors. The WACC calculation is based on the assumptions of:

- a constant optimal capital structure

- interest repayments on debt being tax deductible.

The WACC is derived using the following formula:

WACC = [Kd * Wd * (1-t)] + [Ke * We]

Table 16: WACC parameters

Parameter	Discussion
Kd	cost of debt
Wd	percentage of debt in capital structure
Ke	cost of equity
We	percentage of equity in capital structure
t	company tax rate

The cost of equity is derived using a modified Capital Asset Pricing Model (CAPM) as follows:

Ke = Rf + ß * (Rm - Rf) + α

Table 17: Cost of equity parameters

Parameter	Discussion
Rf	the current return on risk-free assets
Rm	the expected average return of the market
(Rm - Rf)	the average risk premium above the risk-free rate that a 'market' portfolio of assets is earning
ß	the beta factor, being the measure of the systematic risk of a particular asset relative to the risk of a market portfolio
α	company specific risk premium

In applying the WACC concept, we have utilised the following parameters:

Table 18: WACC parameters

Parameter	Value	Discussion
Kd	8.2%	Reflecting the average cost of debt reflected in MAp's audited financial statements for the year ended 31 December 2008
Wd	40.0%	Based upon an analysis of listed airport entities
We	60.0%	Being 1 - Wd
t	30.0%	The Australian corporate tax rate
Rf	5.4%	The risk free rate reflects the return an investor can achieve on a financial instrument with no default risk. In selecting a risk free rate we have considered the yield on 10 year Commonwealth government bonds in terms of the spot rate, average yields, bond futures, the overall trend in those yields and the volatility of those yields. We have selected 5.4 percent as an appropriate risk free rate (source: Bloomberg)
(Rm - Rf)	6.0%	The market risk premium reflects the excess return that a market portfolio of assets generates over the risk free rate. The market risk premium is generally determined with reference to market observations over a long period of time, and is therefore relatively stable. A market risk premium of 6.3 percent for the Australian market is regarded as appropriate by KPMG
ß	1.08	The beta of a company reflects the volatility of the historic cash flows generated by the company. It is a historic measure against the returns of the market portfolio and in general, as the volatility of a firm's cash flows increases, so does the beta. A beta of one indicates that the company's cash flows are expected to move with the same volatility as those of a market portfolio. We have adopted a beta of 1.08 (source: Bloomberg)
α	0.0%	We do not consider any further adjustment required

Based upon the above, we have calculated the WACC attributable to a hypothetical prudent purchaser of the management fees paid by MAp to approximate 9.4 percent. We also note that based upon current forecasts, MAp is not expected to incur income tax liabilities for some time. In such cases we are of the opinion that a pre-tax discount rate is appropriate. While difficult to estimate, for the purposes of this report and taking into consideration the likely timeframe during which MAp will not pay tax and any inherent risks associated with potential changes to Australia's tax regime, we are of the opinion that a pre-tax WACC of 15 percent is appropriate.

8.7 Value of net incremental costs

The net value to MAp of the Internalisation is reflected by:

- the net present value of the future management fees, less
- the present value of the costs internalised, less
- the costs associated with implementing the Internalisation.

8.7.1 Management fees

The valuation of the management fees payable by MAp involves an estimation of both the base management fee and the likelihood and quantum of any performance management fee. In our view, important considerations are:

- the base management fees is directly related to the trading price of a MAp security on the ASX over the last 15 trading days of the quarter
- all else being equal, the higher the MAp security price the higher the base management fees paid by MAp
- performance fees are not only related to the performance of the MAp security price but also the performance of a related, albeit global, index
- the quantum and timing of the payment of performance fees is therefore highly uncertain.

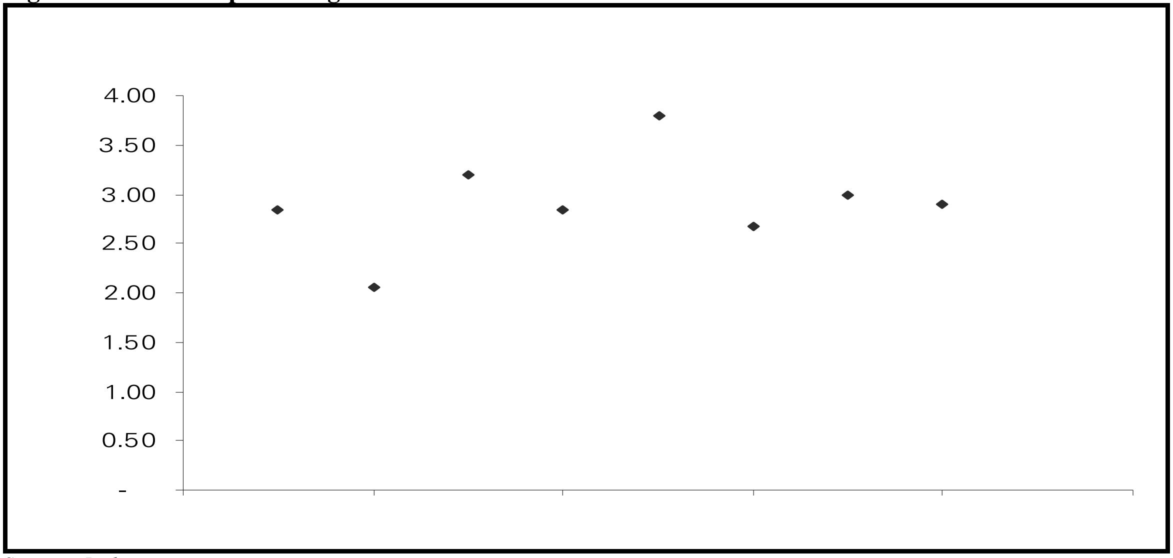
8.7.2 Base management fee

The base management fee is directly related to the MAp security price. In the context of the above we note:

- as at the end of December 2008, MAp's security price was $2.16
- MAp's security price subsequently fell, however since early March 2009 there has been an upward trend in the MAp security price
- since 26 May 2009, MAp's securities have traded in the broad range of $2.00 to $2.20 per security
- at 6 July 2009, the 30 day average VWAP was $2.15 and the 180 day VWAP was $1.88.

Further, while we have not relied upon such information we also note that, as at July 2009, brokers have the following 12 month price targets on a MAp security:

Figure 7: 12 month price targets



Source: Broker reports

We have formed the view that, in the absence of the Internalisation, it would be reasonable to expect base management fees at levels approximating those for 2008, subject to growth in the MAp security price (should the MAp security price grow strongly then base management fees would exceed those for 2008).

8.7.3 Performance management fee

As indicated in Table 14, performance fees have not been paid by MAp since 2005. However, in our view the possibility that such fees would be payable in the future should not be excluded from the determination of the net present value of the total management fees payable by MAp. In particular:

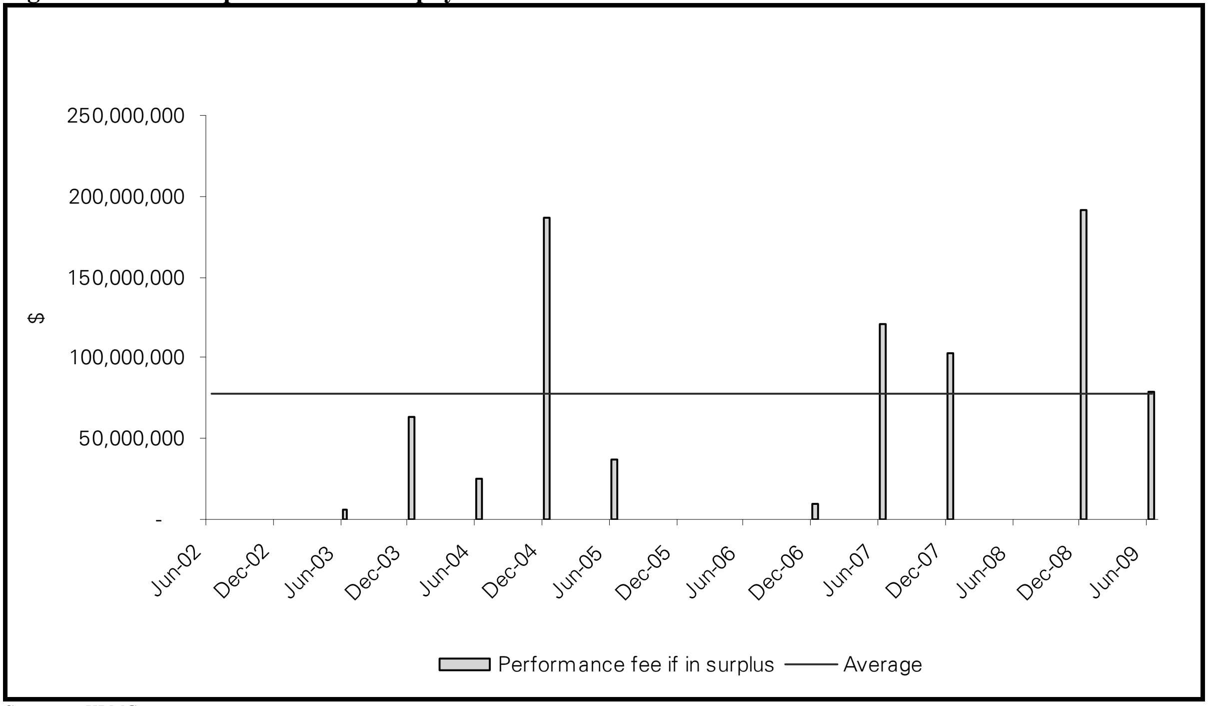
- in section 8.2 we noted that if the VWAP of a MAp security, in terms of the calculation of a performance fee, were $2.46 (compared to an actual VWAP of $2.29) as at 30 June 2009 the performance fee deficit would have been eliminated

- each $0.01 outperformance of a MAp security over the benchmark index, in the absence of a performance fee deficit, results in an approximate $3.4 million performance fee payment.

Estimating the amount and timing of these fees is extremely difficult, not least of which because the calculation of the performance management fee depends not only upon the future security price of MAp but also the future performance of the index to which MAp's performance is benchmarked over a 15 day period at the end of June and December each year.

As previously noted, any underperformance of MAp to the benchmark index must be recouped before any performance fees are payable and there presently exists a performance fee deficit. In order to gain an insight into the performance fees which would have been payable by MAp in the absence of the performance fee deficit we have notionally eliminated that deficit. In this regard the following performance fees would have been paid by MAp to MAML:

Figure 8: Potential performance fee payments



Source: KPMG

While we have formed the view that future performance fee payments should be incorporated in the estimate of the net present value of management fees payable, we also recognise that there will be periods in which a performance deficit is likely to occur and that the deficit will be required to be made up before performance fees can subsequently be paid.

Based upon Table 14 and Figure 8, the average annual performance fees which could potentially have been paid by MAp in the absence of the accumulated deficit approximate $155.8 million. In terms of our analysis, we have sought to determine an annual equivalent performance fee. In this context, the historical performance fees may or may not be earned into the future depending upon the security price performance of both MAp and the benchmark index.

We have chosen a level of performance fees of $77.9 million, reflecting 50 percent of the historical average. In our view it is reasonable to assume that such fees would be payable once every 10 years which, at a WACC of 15 percent translates to an annual annuity of $15.5 million.

8.7.4 Net annual equivalent management fees

Having regard to the above, we have calculated the annual equivalent management fees payable by MAp from external management to total $57.5 million as follows:

Table 19: Net annual equivalent incremental costs

$ million	Ref	
Base management fees	8.7.2	42.0
Performance management fee	8.7.3	15.5
		57.5
Tax		-
Annual equivalent management fees		**57.5**

Source: KPMG

8.7.5 Likely term of the Management Arrangements

Prior to considering the net present value of the likely future management fees payable it is necessary to consider the likely term over which the Management Arrangements would remain in force and the potential consequences of terminating the Management Arrangements in a manner otherwise than as contemplated by the Internalisation. As noted in section 8.7.4, the manager of MAp may be removed if a resolution has been passed that the appointment be terminated by at least 50 percent of the total votes cast by securityholders entitled to vote on the resolution and Macquarie is entitled to vote its securities at such a meeting.

The Management Arrangements have no set term and so long as investment performance continues to be satisfactory it is less likely that securityholders would seek to terminate the Management Arrangements. From our discussions with MAp's independent directors we understand that since the Internalisation was announced MAp has not received investor feedback indicating any material dissatisfaction with the performance of Macquarie as manager. If the manager's performance falls below the expectations of securityholders at some time in the future, there is a range of possible scenarios including a renegotiation of fees or a termination of the manager for a negotiated payment.

In the extreme there could be termination of the Management Arrangements for no consideration however this would require:

- a sufficient number of MAp securityholders voting in favour of such a resolution (were Macquarie to vote against such a resolution then, currently, approximately two thirds of the remaining MAp securityholders would be required to vote in favour of it for the 50 percent threshold to be met)

- MAp being able to secure the services of a sufficiently skilled airport management team.

In the context of the Internalisation, we have been advised the following:

- it is a common commercial term in debt agreements for infrastructure assets (especially in Europe) that the debt is triggered upon a change of control. Given the specialist nature of infrastructure assets (particularly airports), debt providers typically lend on the basis of the existing owners who have experience and specialist skills. As a result, lenders typically require the maintenance of the existing owners/managers. If debt repayment was triggered at MAp's airports it is unlikely that the debt would be able to be refinanced on the same terms and conditions, especially in the current market

- it is also typical in consortium shareholders agreements to have pre-emptive rights upon a change in ownership of one of the shareholders - this is the case in MAp's European airports. As a result the ownership of the underlying assets would not be assured

- the challenges associated with the establishment of a standalone entity cannot be underestimated (both in terms of infrastructure and intellectual property) and the assistance/support of Macquarie in establishing the standalone entity, providing the intellectual property and facilitating the transfer of all staff is very significant, for example as part of the Internalisation, Macquarie will licence the use of certain intellectual property (financial models and analytical tools/templates used in managing the investments) and is assisting with the transfer of the existing staff who have the skills, history and knowledge to continue to operate the business which skills can not just be replicated.

In forming our opinion on the likelihood of future termination of the Management Arrangements we have taken into consideration the views as set out above. In summary, we are of the view that it is likely to be extremely difficult for the Management Arrangements to be easily terminated without significant pre-planning to address the issues raised above and that, in all reasonableness, termination without compensation would most likely only proceed in circumstances where Macquarie had underperformed for a prolonged period of time and with the co-operation of Macquarie. As such, whilst the Management Arrangements are not a perpetual right, it is a matter of judgement as to the likely future term under the current arrangements. For the purposes of this report, we are of the opinion that a reasonable estimate on which to base our analysis is a period of 5 to 10 years post 2014.

We acknowledge that determining a defined period for the Management Arrangements is extremely subjective and we have considered the impact of extending the Management Arrangements beyond 2024. In such circumstances we believe that the increase in the term would also have an associated increase in risk profile which would be reflected in an appropriate discount rate.

8.7.6 Valuation of management fees

In considering the value of the management fees, we are of the opinion that the base management fees should reflect a two stage growth profile. Having regard to broker price estimates and the gap between trading price and NAV we have adopted a growth profile of 5 percent over the period to 2014 then a growth profile of 3.5 percent until the assumed termination date of the Management Arrangements.

Table 20: Fair market value of management fees

$ million	Ref	Low	High
Annual management fees	Table 19	57.5	57.5
WACC (%)	8.6	15.0	15.0
Growth to 2014 (%)		5.0	5.0
Growth post 2014 (%)		3.5	3.5
Assumed termination date of existing Management Arrangements	8.7.5	2019	2024
Fair market value management fees		**388.9**	**483.5**

Source: KPMG

The above values translate to between $0.23 and $0.28 per MAp security.

We note that determination of a fair value for the management fees requires judgement around a number of matters including MAp's future security price, and this security price relative to a related index as well as factors including its likely term and appropriate discount rates. Such judgements must also be made having regard to ensuring that the resulting balance between risk and return is considered. Whilst we recognise that others may have different views as to the judgements we have made, we consider on balance our views to be reasonable in the circumstances. In this regard we note that the combination of assumptions adopted by us to determine the value of the management fees are likely to result in a valuation range which may be considered conservative. In particular:

- the Management Arrangements have no formal term and will continue until it is validly terminated, which may be past our assumed termination date (or not at all)
- the growth rates assumed may be conservative if MAp continues to actively manage its airport portfolio and consistently achieves higher rates
- any upward movement in the MAp security price would increase base management fees. As previously noted, each $0.10 increase in the MAp security price equates to an increase in the base management fees paid by MAp of approximately $1.7 million on an annualised basis
- any capital raising by MAp to fund future investments or acquisitions should act to increase MAp's market capitalisation and therefore the base management fees.

8.7.7 Valuation of internalised costs

Should the Internalisation be approved, MAp will not pay base and performance fees but will instead pay the incremental operating costs identified in section 8.5.2. We have considered the value impact of these costs based upon:

- the discount rate identified in section 8.6
- a growth rate of 2.5 percent per annum
- the likely term of the Management Arrangements discussed in section 8.7.5

Based upon the above, the value of the internalised costs is in the range of $62.3 million and $74.9 million.

8.7.8 Value of incremental cost savings

Based on our analysis we have determined the net incremental value of internalising the management of MAp as follows:

Table 21: Fair market value of net annual incremental cost savings

$ million	Low	High
Benefit received being the value of existing Management Arrangements	388.9	483.5
Less value of internalised costs	62.3	74.9
Less implementation costs	6.0	8.0
Fair market value of net annual incremental cost savings	**320.6**	**400.6**

Source: KPMG

9 Opinion on the fairness of the Internalisation

In section 8.8 of this report, we determined the value of the net annual incremental cost savings at between $320.6 million and $400.6 million. The Consideration comprises $345 million in cash.

As we have concluded that the Consideration is within the range of values we ascribe to the Management Arrangements, we are of the opinion that Internalisation is fair from the perspective of the non-associated Securityholders.

10 Opinion on the reasonableness of the Internalisation

RG 111 notes that an offer is reasonable if it is fair. However, for completeness we set out below a number of other factors we have considered.

10.1 Change in business model

The Internalisation represents a significant change in business model for MAp at a time when the external management model has fallen out of favour with investors. By approving the Internalisation, non-associated Securityholders will be exchanging a variable payment, based upon the MAp security price and its relative performance against a related index, for a more certain payment reflecting salary costs and other operational costs which are not tied to the MAp security price. All else being equal, the Internalisation should act to reduce the volatility in MAp's reported earnings as well as provide increased savings should either the market price of a MAp security increase or MAp grows through acquisitions.

10.2 Independence from Macquarie

Should the non-associated Securityholders approve the Internalisation:

- MAp will formally change its name from 'Macquarie Airports' to 'MAp'

- MAp will achieve independence from Macquarie and ultimate control over its decision making process. This may result in MAp having increased flexibility in relation to its future strategy and capital management options. Other benefits may include a stronger investment mandate for MAp and a reduction in investors concerns which may be associated with the Macquarie management mandate with MAp management having single accountability to MAp securityholders.

Countering the above, MAp will lose its current 'first right of refusal' on new airport investment opportunities identified by Macquarie ahead of other Macquarie managed entities. In these circumstances MAp may not have access to investment opportunities which may otherwise have been available (although while Macquarie holds a direct interest in MAp securities it would have a vested interest in securing growth for MAp).

10.3 Transition arrangements

The Management Arrangements have no set term and continue until valid termination. The Management Arrangements may be terminated by the resignation of MCFEL. Alternatively, MCFEL may be removed by MAp (and MAML may be removed as responsible entity of MAT 1 and MAT 2) if, amongst other factors, a resolution has been passed that the appointment be terminated by more than 50 percent of the total votes cast by securityholders entitled to vote on the resolution. In this regard:

- in the case of termination by MAp, all directors, executives, employees, representatives, assignees and delegates of MCFEL will cease work at the date of termination

- we understand that Macquarie would be entitled to vote on any resolution to remove MCFEL and/or MAML.

Additionally, for the period to 2014 there are various change of control clauses in certain shareholders' agreements and debt documents which would effectively preclude MAp from becoming a stand alone entity from Macquarie without triggering possible repayment of debt or renegotiation of terms.

Macquarie intends to co-operate in the implementation of the Internalisation to ensure that the terms of the shareholders' agreements and debt documents will not be adversely affected.

10.4 Factors indicating control

Macquarie currently has an undertaking to use its shareholding to appoint 50 percent of the directors of MAL and all of the directors of MAML in accordance with the vote of MAp's non-associated Securityholders until December 2011, although there is no obligation on either MCFEL or MAML to continue these arrangements after that date. The current Macquarie director appointment rights and associated undertakings fall away and Macquarie will nominate 1 Director should the Internalisation be approved.

10.5 Funding the Internalisation

It is proposed that the payment of the $345 million under the Internalisation will be followed by an Entitlement Offer. Whilst the Entitlement Offer is conditional upon the Internalisation, the Internalisation will occur irrespective of how much capital is raised under the Entitlement Offer. Further, in respect of the Entitlement Offer:

- Securityholders relative holding will potentially increase, decrease or remain the same depending on the extent to which they participate in the Entitlement Offer
- there is potential for increased shareholding and therefore voting rights by Macquarie (subject to compliance with all applicable laws)
- by raising funds through the Entitlement Offer MAp's cash position will be partially or fully replenished.

10.6 Earnings per security

We note, given the structure of MAp, MAp's investments in Bristol Airport, Brussels Airport and Copenhagen Airports have not been consolidated in the audited reported earnings of MAp. As such, we have considered proportionate earnings showing securityholders interests in the earnings of MAp's underlying investments which, in our view, may provide a more appropriate measure. In this regard, if the Internalisation and the Entitlement Offer had been implemented on 1 January 2008, and assuming all shares under the Entitlement Offer are subscribed for, pro-forma proportionate earnings per security would have been $0.210, which is the same as its reported proportionate earnings per security for the year ended 31 December 2008 of $0.210[6].

For completeness we note that if the Internalisation and the Entitlement Offer had been implemented on 1 January 2008 MAp's basic earnings per security for the year ended 31 December 2008 would have decreased from $1.205 to $1.123 and fully diluted earnings per security for the year ended 31 December 2008 would have declined from $0.994 to $0.941.

In an ongoing sense, the earnings per security impact of the Internalisation would also be significantly impacted by not having to incur any performance fees which may otherwise become payable by MAp.

10.7 NAV per security

On 24 July 2009, MAp provided guidance of NAV per security as at 30 June 2009 of $4.30. In section 9.7.6 above we determined that the impact on NAV of management fees was between $0.23 and $0.28 cents. Adopting the same basis of calculation, but instead adopting the net internalised costs of $9.9 million and including the shares to be issued under the Entitlement Offer, indicates an impact on NAV of approximately $0.03 per security.

Therefore, had the Internalisation and the Entitlement Offer been implemented, NAV per security as at 30 June 2009, after adjusting for the impact of management fees and the Entitlement Offer, would have decreased marginally to $3.91 from a range of $4.02 to $4.07.

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[6] MAp Management Information Report for the year ended 31 December 2008

10.8 Possible market re-rating

There has been considerable discussion in the financial press in relation to internal or external management of funds such as MAp. By internalising the management of MAp, securityholders will be exchanging a variable management fee, based upon the MAp security price on the ASX over a 15 trading day period, for an essentially fixed amount reflecting the salaries and other costs associated with internal management.

One of the potential benefits of the Internalisation may be that, through the internalisation of the management fees, more cash is available to securityholders. As the current management fees are linked to MAp's performance, the better MAp performs, the greater would be the payment and, all else being equal, once management is internalised:

- the inherent savings that flow to MAp's securityholders would be greater
- MAp would be exchanging a variable payment for one fixed in nature which should result in less volatility of MAp's future earnings and would not be impacted in the same way by any subsequent growth in the fund by way of changes in the market price or through a capital raising.

10.9 Summary

We have summarised the quantitative issues we have considered contributing to reasonableness below.

Table 22: Internalisation outcomes

		Before	After
Proportionate earnings per security (31 December 2008)	($)	0.210	0.210
Adjusted NAV per security, mid point	($)	4.04	3.91

Source: KPMG

In forming our opinion we have also considered the qualitative issues set out above, particularly:

- the termination of the Management Arrangements together with the associated benefit from an on-going increase in certainty as to the quantum of management costs.
- MAp will become a stand alone entity with a management team solely focussed on MAp's airport investments
- Macquarie's director appointment rights will fall away and Macquarie will no longer have any role in the management of MAp, in effect the extent of Macquarie's control as a practical measure will decline as a result of the Internalisation

11 Opinion on the Internalisation

Having regard to the above discussion, we are of the opinion that the Internalisation is fair and reasonable having regard to the interests of the non-associated Securityholders.

12 Implications should the transaction not proceed

Should the Internalisation not proceed, all else being equal, the following will occur:

- MAp will remain externally managed and the management fees payable (including any performance fees) will continue to be related to the MAp trading price on the ASX. That is, MAp will continue to pay a variable management fee as opposed to internalised costs which are more fixed in nature

- the Boards and management of MAp will continue to investigate ways to realise improved value for all securityholders.

Appendix 1 – KPMG Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG are Ian Jedlin and Michael Jones. Each has a significant number of years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG's opinion as to whether the Internalisation and Subscription are fair and reasonable to MAp's non-associated Securityholders. KPMG expressly disclaims any liability to any MAp non-associated Securityholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG nor the KPMG Partnership has been involved in the preparation of the Explanatory Memorandum or any other document prepared in respect of the Internalisation. Accordingly, we take no responsibility for the content of the Explanatory Memorandum as a whole or other documents prepared in respect of the Internalisation.

Independence

KPMG is entitled to receive a fee of $250,000 for the preparation of this report. Except for these fees, KPMG has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

Further, employees of KPMG, the KPMG Partnership and its affiliated entities may hold securities in MAp and/or Macquarie. However, no individual involved in the preparation of this report holds a direct or material indirect interest in the securities of MAp or Macquarie. For the record we note that employees of KPMG holding a direct interest in MAp securities were involved in the review of this report prior to its issue. The holding is not material to the individual portfolio and, in accordance with firm policy, the individual has undertaken not to trade these securities over the course of this assignment. With the exception of these matters, neither KPMG or the KPMG Partnership will receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

During the course of this engagement, KPMG provided draft copies of this report to management of MAp for comment as to factual accuracy, as opposed to opinions, which are the responsibility of KPMG alone. Changes made to this report as a result of these reviews have not changed the opinions reached by KPMG.

Over the past two years, KPMG and its associated entities have prepared the following valuations for MAp, either alone or in conjunction with other parties:

- Sydney Airport, December 2008
- Brussels Airport and Copenhagen Airport, September 2008

- Brussels Airport, September 2007.

Change in transaction

On 24 July 2009, MAp announced an internalisation substantially similar to that considered in this report except that the consideration was 150 million MAp securities to Macquarie (through the conversion of a promissory note). KPMG was requested by the Independent Directors to form an opinion as to whether that Internalisation was fair and reasonable from the perspectives of the non-associated Securityholders.

Our draft opinion in addition to considering the value of the Management Agreement was required to consider the value of the securities to be issued to Macquarie. Our draft report had been provided to both MAp and ASIC.

The current proposal for Internalisation does not involve the issue of MAp securities and our opinion as to the value of the Management Arrangements of between $320.6 million and $400.6 million has not altered. In addition MAp issued its interim results subsequent to us providing our draft report. Accordingly, various changes have been made to our report between the draft issued to MAp and ASIC and this version as contained in the Explanatory Memorandum primarily due to us not having to consider the underlying value of a MAp security and the release of the Interim Results.

Consent

KPMG consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to the non-associated Securityholders of MAp. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG as to the form and context in which it appears.

Indemnity

MAp has agreed to indemnify and hold harmless KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership against any and all losses, claims, costs, expenses, actions, demands, damages, liabilities or any other proceedings, whatsoever incurred by KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership in respect of any claim by a third party arising from or connected to any breach by MAp of its obligations.

MAp has also agreed that KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities or any other proceedings arising out of reliance on any information provided by MAp or any of MAp’s representatives, which is false, misleading or incomplete. MAp has agreed to indemnify and hold harmless KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership from any such liabilities KPMG may have to MAp or any third party as a result of reliance by KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership on any information provided by MAp or any of MAp’s representatives, which is false, misleading or incomplete.

Appendix 2 – Sources of Information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information

- MAp First Quarter 2009 Results for Core Portfolio, 29 April 2009
- MAp Management Information Report for the half year ended 30 June 2009
- MAp Management Information Report for the quarter ended 31 March 2009
- MAp Management Information Report for the year ended 31 December 2009
- MAp Management Information Report for the half year ended 30 June 2008
- MAp 2008 Annual Report & Change of Registered Office, 25 March 2009
- MAp Interim Financial Report for the half year ended 30 June 2009
- MAp Comprising Macquarie Airports Trust (1) and its controlled entities, Macquarie Airports Trust (2) and its controlled entities Financial Report for the Year Ended 31 December 2008
- MAp 2008 Full Year Results Presentation
- MAp 2009 Interim Results Presentation
- MAp Prospectus, issued by Macquarie Airports Holdings (Bermuda) Limited and Macquarie Airports Management Limited as responsible entity of Macquarie Airports Trust (1) and Macquarie Airports Trust (2), 18 July 2002
- MAp Foreign Ownership Level, 6 July 2009
- Constitution of MAT 1, MAT 2 and MAL
- Advisory Agreement, Macquarie Airports Limited, Macquarie Capital Funds (Europe) Limited
- MAp Interim Financial Report for the half year ended 31 October 2008
- MAp website
- ASX announcements relating to MAp
- Various broker reports pertaining to MAp
- Financial information from Bloomberg, IRESS, Thomson SDC, Zephyr and OneSource.

Non-public information

- Financial Model for underlying airport assets (Sydney Airport, Brussels Airport, Copenhagen Airports, Bristol Airports) as at 31 December 2008
- Various board papers, including:
  - Project Wills – Change of Control and Co-Shareholder Governance Options Paper
  - Macquarie Airports – Strategic considerations for capital adequacy and value realisation, May 2009
- Documents associated with potential change of control triggers:
  - Brussels Airport Shareholders Agreement and amendment agreement
  - Macquarie Airports Copenhagen Holdings Facility Agreement
  - Copenhagen airport bank debt facilities agreement
- Various presentations by Macquarie in relation to the Internalisation.

In addition, we have had discussions with management of MAp and representatives of the Independent Directors of MAp.

Annexure 2 – MAp Independent Director Criteria

The determination of independence of directors by objective criteria is desirable to protect investor interests and optimise the financial performance of an entity and returns to investors.

In determining the status of a director, both MGL and the board have adopted the standards of independence set out in the Macquarie Fund Policy. Although this is the current policy, it should be noted that it is expected to be amended after the Internalisation is implemented, in particular, as noted in section 1.13 of the Explanatory Memorandum, to address more specifically the independence criteria outlined in the ASX Corporate Governance Principles and Recommendations.

Details of the current policy are:

An independent director is a director of the responsible entity and/or special purpose vehicle who is not a member of management and who (to the satisfaction of the MGL board Corporate Governance Committee) meets the following criteria:

- Is not a substantial shareholder of:
  - MGL or MAp, or
  - A company holding more than 5% of the voting securities of MGL or MAp
- Is not an officer of, or otherwise associated directly or indirectly with, a shareholder holding more than 5% of the voting securities of MGL or MAp
- Has not, within the last three years, been:
  - Employed in an executive capacity by the responsible entity and/or special purpose vehicle, or by another Macquarie entity, or
  - A director of any such entity after ceasing to hold any such employment
- Is not and has not within the last three years been a principal or employee of a professional adviser to the fund, MGL or other Macquarie managed vehicles whose billings to MAp, Macquarie or other funds over the previous full year, in aggregate, exceed 5% of the adviser's total revenues over that period

  A director who is or within the last three years has been a principal, director or employee of a professional adviser must not participate in any consideration of the possible appointment of the professional adviser and must not participate in the provision of any service by that firm to MAp, another Macquarie managed vehicle, or Macquarie more generally
- Is not a significant supplier or significant customer of MAp, Macquarie or other Macquarie managed vehicles, or an officer of or otherwise associated directly or indirectly with, a significant supplier or customer.

  A significant supplier is defined as one whose revenues over the previous full year from MAp, Macquarie and other Macquarie managed vehicles exceed 5% of the supplier's total revenue over that period. A significant customer is one whose amounts payable to MAp, Macquarie and other Macquarie managed vehicles exceed 5% of the customer's total operating costs
- Has no material contractual relationship with Macquarie, other than as a director of MAp
- Is not a director of more than two Macquarie related responsible entity or special purpose vehicle boards
- Has no other interest or relationship that could interfere with the director's ability to act in the best interests of MAp and independently of management of Macquarie.

Where an individual may not meet one or more of the above criteria, the MGL board corporate governance committee or the relevant MAp board may make a specific determination that, in the particular overall circumstances of that individual, the fact that these criteria have not been met would not prevent the individual from exercising judgment on the relevant board.

Annexure 2 – MAp Independent Director Criteria (continued)

The main areas of difference from the independence criteria set out in the Principles are:

- the Macquarie Fund Policy independence criteria are designed to ensure that directors are not only independent from MAp but that they are also independent from Macquarie Group and its other managed vehicles. Accordingly the independence criteria must be satisfied in respect of relationships with each of MAp, Macquarie and other Macquarie managed vehicles. By way of example a partner of a law firm who is a director on MAp would not be able to provide legal services to MAp or any Macquarie entities or managed vehicles and would not be able to vote on the appointment of her law firm by MAp. Additionally the law firm must not have earned more than 5% of its annual income from doing work for any of MAp, Macquarie or other Macquarie managed vehicles for 3 years prior to the appointment of the director and on an ongoing basis during the currency of the directorship;
- the Macquarie Fund Policy independence criteria do not specifically provide that independent directors must be free of any business relationship that could reasonably be perceived to materially interfere with their independence. However, the criteria are designed to ensure that this is in fact the case. Further, the MGL board corporate governance committee or the MAp boards can in appropriate circumstances determine that a director is not independent notwithstanding they continue in a formal sense to satisfy all of the Macquarie Funds Policy Independence criteria. This envisages that in some cases candidates will not be appointed or directorships will cease because of perception issues around independence;
- the Macquarie Fund Policy has a catch all provision, not included in the Principles, which gives the MGL board corporate governance committee or MAp boards discretion to determine that a director is independent even if they do not meet all the other Macquarie Fund Policy independence criteria.

The ability of independent directors to serve on up to two separate managed vehicle boards is considered appropriate because the time commitment and level of remuneration for these roles is not so significant as to compromise independence.

If any independent director serves on two managed vehicle boards or has been determined by the MGL board corporate governance committee or MAp boards as independent despite not satisfying all of the criteria set out in the Macquarie Fund Policy they will be noted as such in their description in this statement. Reasons will be provided for any independence determination.

Each year independent directors are required to provide MAp with confirmation of their independence status and they have each undertaken to inform MAp if they cease to satisfy the Macquarie Fund Policy independence criteria at any time. The MAML company secretary also monitors compliance with the Macquarie Fund Policy independence criteria and seeks information from the independent directors in this regard if necessary and reports to the board.

MAp considers that the independence of its directors, each of whom is a highly qualified and reputable business person and professional who satisfies the above criteria, does not depend on who appoints them but on their independence of mind, including an ability to constructively challenge and independently contribute to the boards.

Corporate Directory

Responsible Entity for Macquarie Airports Trust (1) and Macquarie Airports Trust (2)

Macquarie Airports Management Limited
(AFSL 236875)
Mezzanine Level
No. 1 Martin Place
Sydney NSW 2000

MAp Investor Relations Information Line

1300 658 985 (if calling within Australia)
+ 612 8986 9352 (if calling from outside Australia)

Directors of Responsible Entity

Max Moore-Wilton (Chairman)
Trevor Gerber
Bob Morris
The Hon Michael Lee

Macquarie Airports Limited

Penboss Building
2nd Floor
50 Parliament Street
Hamilton, HM12
Bermuda

Directors of MAL

Jeffrey Conyers (Chairman)
Sharon Beesley
Stephen Ward
Max Moore-Wilton

Auditors

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

Lawyers

Allens Arthur Robinson
Deutsche Bank Place
Cnr Hunter & Phillip Streets
Sydney NSW 2000

Financial Advisers

Grant Samuel
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

IF UNDELIVERABLE PLEASE RETURN TO:
GPO Box 2848
Melbourne VIC 3001
Australia

POSTAGE
PAID
AUSTRALIA

000001 000 MAP
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Macquarie Airports

Macquarie Airports Management Limited (ABN 85 075 295 760)
(AFSL 236875) as responsible entity for Macquarie Airports Trust (1)
(ARSN 099 597 921) and Macquarie Airports Trust (2) (ARSN 099 597 896)
Macquarie Airports Limited (ARBN 099 813 180)

MACQUARIE

000001 000 MAP
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

By Fax:
Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

In Person:
Computershare Investor Services Pty Limited
Level 2, 60 Carrington Street
Sydney NSW 2000 Australia

For all enquiries call:
(within Australia) 1800 102 368
(outside Australia) +61 3 9415 4195

Proxy Form

For your vote to be effective it must be received by 2.00pm (Sydney time) on Monday 28 September 2009

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of Macquarie Airports.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, only one securityholder needs to sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for Macquarie Airports, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔

View your security holder information, 24 hours a day, 7 days a week:
www.investorcentre.com

- ☑ **Review your securityholding**
- ☑ **Update your securityholding**

Your secure access information is:

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark X to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Macquarie Airports Trust (1), Macquarie Airports Trust (2) and Macquarie Airports Limited and entitled to attend and vote hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of each Meeting, as my/our proxy to act generally at each meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Special General Meeting of Macquarie Airports Limited and the General Meetings of Macquarie Airports Trust (1) and Macquarie Airports Trust (2) to be held at the Intercontinental Hotel, James Cook Ballroom, 117 Macquarie St, Sydney on Wednesday, 30 September 2009 at 2.00pm (Sydney time) and at any adjournment of these meetings.

Important for MAT 1, MAT 2 and MAL item 1 and item 3: If the Chairman of the Meeting is your proxy and you do not wish to direct him how to vote on MAT 1, MAT 2 and MAL item 1 and item 3 below, please mark the box in this section. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of these items and that votes cast by him, other than as proxyholder, will be disregarded because of that interest. The Chairman of the Meeting intends to vote undirected proxies in favour of each item. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your vote on these items and your vote will not be counted in computing the required majority if a poll is called on each item.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he has an interest in the outcome of those items and that votes cast by him, other than as proxyholder, would be disregarded because of that interest.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

MAT 1

		For	Against	Abstain
1	Internalisation - acquisition/ disposal of a substantial asset			
2	Internalisation - related party benefit			
3	Increase in directors' remuneration			

MAT 2

		For	Against	Abstain
1	Internalisation - acquisition/ disposal of a substantial asset			
2	Internalisation - related party benefit			
3	Increase in directors' remuneration			

MAL

		For	Against	Abstain
1	Internalisation - acquisition/ disposal of a substantial asset			
2	Change of name			
3	Increase in directors' remuneration			
4	Amend bye-laws			

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________________ **Contact Daytime Telephone** ____________________ **Date** ___ / ___ / ___