



## ASX Release

20 July 2011

### **MAp SIGNS BINDING ASSET SWAP AGREEMENT, INCREASES INTEREST IN SYDNEY AIRPORT**

MAp has reached binding agreement with Ontario Teachers' Pension Plan Board (OTPP) on the asset swap proposal previously announced on 22 June 2011.

MAp Chief Executive Officer, Ms Kerrie Mather said, "The asset swap proposal represents a transformational transaction for MAp, resulting in both an increased investment in Sydney Airport and the repositioning of MAp with a sole focus on Sydney Airport. Investors will benefit from the airport's predictable, resilient and growing earnings."

MAp is in the process of considering options for the simplification of its structure. It is envisaged that a cash amount of approximately 80 cents per stapled security will be made available to MAp investors after completion.

#### **Key Highlights**

- Increased interest in Sydney Airport of up to 85%<sup>1</sup>, an airport which has a demonstrated track record of resilience and growth
- The cash amount available to investors mentioned above of approximately 80 cents per stapled security (cps)
- 100% coverage of distributions anticipated from 2012 by net operating receipts<sup>2</sup>
- Reduction in corporate expenses
- 2012 distribution guidance of approximately 21cps and reaffirmation of 2011 distribution guidance of 21cps, each subject to external shocks to the aviation industry or material changes in forecast assumptions

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<sup>1</sup> Subject to the exercise of pre-emptive rights by other Sydney Airport shareholders

<sup>2</sup> Net operating receipts is defined as distributions from airport investments net of corporate expenses and interest income/expense

## Transaction Details

MAp has signed a binding asset swap agreement with OTPP which will result in MAp acquiring OTPP's 11.02% direct and indirect interest in Sydney Airport<sup>3</sup> and OTPP acquiring MAp's interests in Brussels Airport and Copenhagen Airports<sup>4</sup>. MAp will also receive a cash payment of approximately AUD791m<sup>5</sup>.

"This transaction will provide investors with a number of benefits and remains compelling despite the adverse impact of foreign exchange movements on the cash component," Ms Mather said.

## Transaction Benefits

MAp investors will benefit from owning an increased interest in Sydney Airport of up to 85% and enhanced exposure to its high quality, consistent operating performance and growth prospects.

MAp is also considering options for the simplification of its structure. It is envisaged that a cash amount of approximately 80cps will be made available to investors after completion. Further details will be provided closer to completion of the asset swap.

Ms Mather said, "Since inception in April 2002, MAp has performed strongly for investors delivering a total security holder return of 14.2%<sup>6</sup> per annum. This compares favourably to the ASX 200 at 5.5% per annum and the MSCI World Transportation Infrastructure Index at 10.5% per annum.

"However, in recent times the security price has not reflected the intrinsic value of MAp's airport business. The directors and management believe that the security price will more closely reflect MAp's underlying value through MAp entering a new phase focussed on a single airport. This should facilitate a clearer appreciation of Sydney Airport's underlying earnings profile and significant growth potential.

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<sup>3</sup> Subject to the exercise of pre-emptive rights by other Sydney Airport shareholders

<sup>4</sup> As a result of restructuring required to facilitate OTPP's acquisition of an interest in Copenhagen Airports, MAp's direct 3.9% interest in Copenhagen Airports will be transferred to Copenhagen Airports Denmark at a discount to the implied value of the asset swap agreement. This will not impact the net cash consideration of AUD791m being received by MAp but does result in an implied transfer of value to MAp's current co-shareholder, Macquarie European Infrastructure Fund 3, of approximately EUR6m.

<sup>5</sup> The cash payment has varied by AUD30m from AUD821m as at 22 June 2011 primarily as a result of the AUD/EUR exchange rate moving from 0.7410 to 0.7557. The AUD cash consideration is now fixed.

<sup>6</sup> To 30 June 2011

"Sydney Airport is an outstanding airport business and Australia's premier gateway. Since MAp's acquisition in June 2002, it has delivered EBITDA<sup>7</sup> growth of 10.6% per annum when compared with passenger traffic growth of 4.8% per annum. Sydney Airport has also reported EBITDA growth in every quarter since June 2002, despite impacts such as volatility in oil prices, the global financial crisis and, more recently, devastating natural disasters in our region.

"The fundamental strength of Sydney Airport is evidenced by our ability to provide distribution guidance of approximately 21cps for 2012, in addition to confirming guidance of 21cps for 2011, subject to external shocks to the aviation industry or material changes in forecast assumptions. As I have previously stated, it is anticipated that the 2012 distribution will be fully-backed by net operating receipts," Ms Mather said.

### **Significant Cost Savings**

The transaction is expected to deliver cost savings to MAp investors as a result of:

- OTPP acquiring MAp's UK operations
- MAp's Sydney based team relocating to Sydney Airport
- Other synergies including a single Chief Financial Officer (CFO) and the recently announced single Chief Executive Officer. MAp CFO, Keith Irving, has indicated he will step down at the end of 2011. He has agreed to remain with MAp until then to assist with completion of the transaction and other elements of the transition

### **Transaction Timing**

The asset swap proposal is subject to a number of conditions precedent. Completion is expected to occur in the fourth quarter of 2011.

### **Transaction Conditions**

MAp has provided a comprehensive set of representations and warranties in respect of Copenhagen Airports and Brussels Airport, which are more commensurate with those normally provided by an owner/operator than a minority investor.

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<sup>7</sup> Earnings before interest, tax, depreciation and amortisation pre specific items

Completion of the asset swap is subject to:

- All regulatory approvals being obtained and not withdrawn, including European Commission Merger Regulation
- No breach or potential breach of a material contract
- The conduct of pre-emptive rights processes for other Sydney Airport investors

Other key terms include indemnities from MAp to OTPP for OTPP's share of the challenged withholding tax liabilities, should they ever materialise, arising from the Danish Tax Office's current assessments to Copenhagen Airports Denmark Holdings. There are also indemnities for certain pre-existing disputes or litigation at Brussels Airport and other contingent liabilities.

The asset swap terminates if the conditions precedent are not satisfied or waived. In addition, there are customary termination rights for material breach and material adverse events in each case exercisable where they result in a diminution in the value of Sydney, Brussels or Copenhagen airports exceeding 15%.

#### **Asset Swap Key Metrics<sup>8</sup>**

- Brussels Sale = Equity IRR 23.9%, EV/EBITDA<sup>9</sup> multiple 13.3x
- Copenhagen Sale = Equity IRR 24.6%, EV/EBITDA<sup>10</sup> multiple 15.2x
- Sydney Airport Acquisition of 11.02% = A\$805 million<sup>11</sup>

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<sup>8</sup> Transaction completion assumed at 30 June 2011 for the purpose of key metrics

<sup>9</sup> Rolling 12 months EBITDA (pre-specific items) to 31 March 2011

<sup>10</sup> Rolling 12 months EBITDA (pre-specific items) to 31 March 2011

<sup>11</sup> Based on Board approved valuation as at 31 December 2010