MACQUARIE AIRPORTS
NOTICES OF MEETING

17 OCTOBER 2008

MACQUARIE

Macquarie Airports Limited

Registration Number 31667

Notice of Special General Meeting 2008 and Explanatory Memorandum

Macquarie Airports Trust (1) ARSN 099 597 921

Macquarie Airports Trust (2) ARSN 099 597 896

Notices of General Meeting 2008 and Explanatory Memorandum

CHAIRMAN'S LETTER

17 September 2008

Dear security holder

This Explanatory Memorandum contains information regarding the resolutions we will ask you to consider at the MAp security holder meetings to be held on 17 October 2008. Specifically we will ask you to consider a buy-back of up to A$1 billion of MAp securities and the divestment of part of MAp's interests in Copenhagen and Brussels airports to facilitate the buy-back.

MAp security holders are being asked to:

- Approve a buy-back of up to A$1billion of MAp securities. As the buy-back involves the repurchase of more than 10% of MAp's existing issued capital in 12 months, security holder approval is required.
- Approve the sale consistent with directors' valuations of a 26.9% interest in Copenhagen Airports and a 26.1% interest in Brussels Airport to Macquarie European Infrastructure Fund 3 (MEIF3) together with the new governance frameworks for these investments. As this is a significant transaction with another Macquarie Group fund we are seeking security holder approval.

The MAp directors unanimously recommend that security holders vote in favour of these resolutions.

The buy-back and the partial divestment form part of the initiatives announced under MAp's Portfolio and Capital Review on 20 August 2008, and are intended to address the significant discount which MAp's security price represents to MAp's published directors' valuation of its airport businesses.

The initiatives are designed to enhance security holder value, put MAp on the strongest possible footing in this challenging environment and position it well for future growth.

By committing to a substantial buy-back of MAp securities, your boards and management are indicating their belief in the value of MAp and its airports and giving support to the quality and sustainability of MAp's regular distribution.

The sale of partial interests in Copenhagen and Brussels airports to MEIF3 at prices consistent with directors' valuations demonstrates the value of MAp's airport businesses whilst allowing MAp to exercise joint control over and retain exposure to these high quality airports. This preserves the value of MAp's remaining interests in these airports.

In order to confirm that the divestments are fair and reasonable to MAp security holders, the MAp directors have commissioned an Independent Expert Report from Ernst & Young Transaction Advisory Services Limited. The Independent Expert Report concludes that the divestments are fair and reasonable and is contained in section 6 of this Explanatory Memorandum.

On behalf of the MAp directors, I recommend that you vote in favour of the proposed resolutions and I look forward to seeing you at the MAp security holder meetings on 17 October 2008.

Yours sincerely

Max Moore-Wilton AC
Chairman, Macquarie Airports Management Limited
Director, Macquarie Airports Limited

1. SPECIAL GENERAL MEETING

The Macquarie Airports (**MAp**) Special General Meeting (**SGM**) will be held on 17 October 2008. The SGM will comprise concurrent meetings of the 3 entities that make up MAp namely Macquarie Airports Limited (ARBN 099 813 780) (the **Company** or **MAL**), Macquarie Airports Trust (1) (ARSN 099 597 921(**MAT1**) and Macquarie Airports Trust (2) (ARSN 099 597 896) (**MAT2**).

Section 2 explains the business of the meetings and the notices of meeting are contained in section 3. Section 4 contains a Glossary listing defined terms and voting information is contained in section 5. The Independent Expert report is contained in Section 6. Proxy forms accompany this document.

The MAp Independent Directors recommend that you vote in favour of all of the resolutions set out in the notices of meeting.

This document is important and requires immediate attention. It should be read in its entirety. If you are in doubt as to the course you should follow, you should consult your professional adviser without delay.

2. SGM BUSINESS

2.1 Partial Sale of Assets to MEIF3

2.1.1 Background

MAp owns 82.7% of MABSA which owns 75% of Brussels Airport. MAp also owns 100% of MAESA2 which owns 53.7% of Copenhagen Airports.

MAp proposes to sell to MEIF3:

- 42% of its interest in Brussels Airport (by selling a 34.7% interest in MABSA); and
- 50% of its interest in Copenhagen Airports (by selling 50% of its interest in MAESA2).

This Sale Transaction is one of the initiatives arising from the Portfolio and Capital Review undertaken by the MAp boards and announced on 20 August 2008. Proceeds from the sales will be used to defease the TICkETS and to undertake a buy-back of MAp securities which the MAp boards believe will significantly enhance value for security holders.

The sales will occur at prices consistent with directors' valuations and at premia to acquisition prices of 49% for Copenhagen Airports and 47% for Brussels Airport.

MAp will move to a position of joint control in respect of these two airports while maintaining a significant investment in each airport. The Sale Transaction also serves to validate the value of MAp's portfolio of airports.

More detail about the Brussels Airport and Copenhagen Airports investments is set out in the Independent Expert Report in section 6.

2.1.2 Overview of the Sale Transaction

The Sale Transaction was announced on 20 August 2008 when MAp released its interim results. The Sale Transaction is conditional on MAp security holder approval by way of an ordinary resolution under ASX Listing Rule 10.1 because it involves the sale of 5% or more of MAp's net assets to MEIF3, which is another Macquarie Group fund. No other regulatory approvals for the Sale Transaction are required. MEIF3 and its associates, including Macquarie Group entities and their associates, cannot vote on this resolution.

Details about MEIF3 and Macquarie Group's interests in the Sale Transaction are explained in section 2.1.8.

2.1.3 Rationale for Sale Transaction

The MAp Independent Directors believe that the Sale Transaction will create additional value for MAp security holders for the following reasons:

- Over the last six months MAp's security price has been trading at a significant and sustained discount to the published underlying value of its airport businesses. The Sale Transaction and consequent buy-back are designed to demonstrate the underlying value of MAp's investments.
- The proceeds from the sale will enable MAp to implement a buy-back of MAp securities of up to A$1 billion (subject to MAp security holder approval) and effectively reduce financial leverage through defeasance of the TICkETS.
- The sale of indirect interests in Brussels and Copenhagen airports will demonstrate their value as the price is in line with MAp's published directors' valuations for these assets. The price and the terms of the transaction have been reviewed by Ernst & Young Transaction Advisory Services Limited which has prepared an Independent Expert Report which concludes that the Sale Transaction is fair and reasonable.

2.1.4 Rationale for sale of assets to MEIF3

The MAp Independent Directors believe that the sale of the interests in Brussels and Copenhagen airports to MEIF3 is in the best interests of security holders because it achieves directors' valuation on the sales and preserves the residual value of the remaining interests:

- The arrangements ensure the continuity of management and the residual value of the two airports because each fund, being Macquarie managed, has the same investment philosophy and active management model; and

- Pre-emptive rights are triggered in the event of a change of control of a Macquarie Group managed shareholder to provide the option for MABSA and MAESA2 to remain controlled by entities managed by the Macquarie Group. As MEIF1 and MEIF3 are closed-end funds, these rights have the advantage of ensuring consistency of investment philosophy and approach should the existing Macquarie Group managed shareholders be unable to exercise their rights at a particular time.

Furthermore:

- Sale to a third party would not have complied with covenants given to the Belgian State by MABSA that it be controlled by all or any of MAp, MEIF1, MEIF2 or MEIF3;
- The outcome of a sale to MEIF3 is more certain than a sale to a third party; and
- The ability to achieve joint control with a third party is less certain.

2.1.5 Sale Proceeds and Use of Sale Proceeds

MAp will receive approximately A$1.5 billion from MEIF3 for the Sale Transaction consistent with the MAp directors' June 2008 valuations of MAp's interests in Brussels and Copenhagen airports.

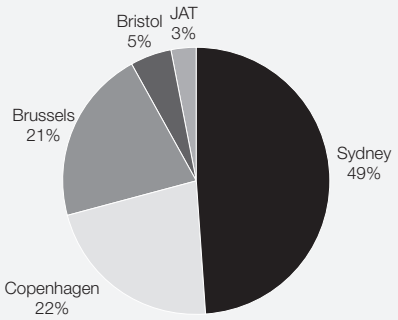
The price payable for the interest in Brussels Airport is €402.5 million (approximately A$661 million at 30 June 2008 exchange rates) which will be rolled forward to the Completion Date at the Brussels Airport discount rate of 12.0% per annum less any distributions received prior to the Completion Date. The price payable for the interest in Copenhagen Airports is €510.0 million (approximately A$838 million) which will be rolled forward to the Completion Date at the Copenhagen Airports discount rate of 13.3% per annum less any distributions received prior to the Completion Date.

MAp will apply most of the sale proceeds to a buy-back of up to $1 billion of MAp securities. The buy-back is subject to security holder approval. Some of the proceeds will also be applied to a defeasance of MAp's listed hybrid debt called TICkETS. The defeasance involves capitalising a special purpose trust with enough cash to satisfy the interest payments on the TICkETS and the redemption amount prior to redemption in January 2010. The remaining proceeds will be retained as cash reserves.

2.1.6 Effect of Sale Transaction on MAp

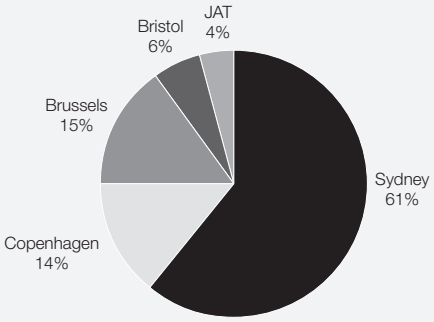
The Sale Transaction represents the divestment of 19% of MAp's asset portfolio. The main consequence is that the value of MAp's underlying portfolio will be comprised 61% of Sydney Airport compared with 49% prior to completion of the Sale Transaction. However it should be noted that Sydney Airport, Australia's premier international gateway, handling almost half of all international traffic travelling to and from Australia, has performed strongly over the period of MAp's ownership.

MAp Portfolio pre Sale Transaction



MAp's investment in ASUR does not meet the materiality threshold for inclusion.

MAp Portfolio post Sale Transaction



2.1.7 Governance Arrangements between MAp and MEIF3

As part of the Sale Transaction, MAp and MEIF3 have agreed to implement new shareholder arrangements for MABSA and MAESA2. The key terms of these are set out below.

MABSA shareholders' agreement – relating to investment in Brussels Airport

The board and shareholder decision making thresholds are contained in the MABSA shareholders' agreement. The changes to the MABSA shareholders agreement result in MAp having joint control with its Macquarie Group co-shareholders, MEIF1 and MEIF3. Each of the three major shareholders have negative control rights in respect of shareholder reserved matters which result in fundamental changes to their rights.

To preserve the consistency of investment philosophy and management approach, the MABSA shareholders' agreement contains pre-emptive rights and change of control provisions. These provisions also ensure fulfilment of the covenant to the Belgian State that MABSA is controlled by all or any of MAp, MEIF1, MEIF2 or MEIF3.

Shareholders have a right of first refusal in respect of a proposed transfer of MABSA shares to a third party. To the extent that a Macquarie Group managed shareholder does not exercise its rights of first refusal, it may assign its rights to do so to another Macquarie Group entity or Macquarie Group managed fund. The right of first refusal does not apply in the case of a transfer by a Macquarie managed shareholder to another Macquarie Group entity or Macquarie Group managed fund.

If a change of control of MEIF3 occurs (including a change of manager but excluding the listing of MEIF3), each Macquarie Group managed shareholder has the right to purchase its pro rata share at fair market value. Fair market value means the price agreed by the parties or, failing agreement, the price determined by an independent expert nominated by the auditor. This call option may be exercised in whole or in part and if it is not exercised by a Macquarie Group managed shareholder, it may be exercised by another Macquarie Group entity or Macquarie Group managed fund. Reciprocal rights apply upon a change of control of MAp.

MAESA2 shareholders' agreement – relating to investment in Copenhagen Airports

The MAESA2 shareholders' agreement requires that MAp and MEIF3 jointly agree all decisions in respect of the day to day management of MAESA2 and key decisions that MAESA2 is required to make in respect of Copenhagen Airports, eg voting at shareholder meetings of Copenhagen Airports. If MAp and MEIF3 are unable to jointly agree a decision, following consultation between the respective CEOs of each party, a buy-sell right mechanism is triggered pursuant to which a party may buy out the other party or sell to the other party at market value.

To preserve the consistency of investment philosophy and management approach, the MAESA2 shareholders' agreement also contains pre-emptive rights and change of control provisions. These provisions are on substantially the same terms as the MABSA shareholders' agreement.

Additionally MAESA2 proposes to appoint MCFEL as its investment adviser to advise on MASEA2's day to day business affairs and its interest in Copenhagen Airports. MAESA2 is currently a wholly owned subsidiary of MAp therefore has its advisory and administrative services provided under MAp's management arrangements with MCFEL.

As MAESA2 will cease to be a wholly owned subsidiary following the Sale Transaction, it is necessary to appoint MCFEL as investment adviser to MAESA2. To the extent that a fee is already paid to a Macquarie Group entity in respect of services provided under the advisory agreement, the adviser's fee is waived. As a result, no fees are payable to MCFEL by MAp under the MAESA2 advisory agreement while MAp remains Macquarie Group managed.

Under the advisory agreement MCFEL will implement investment and divestment instructions of the MAESA2 board, advise MAESA2 regarding the management of its interest in Copenhagen Airports, make recommendations to the board of MAESA2 about a range of matters, including appointment of directors, exercise of votes, borrowings, dividends and capital raisings, prepare reports and plans for MAESA2 and its shareholders and assist MAESA2 with various administrative functions.

The advisory agreement is for an indefinite term but can be terminated by either party for material breach which is not capable of remedy on 14 days' notice or on 30 days' notice if the breach can be remedied but MCFEL fails to do so. MAESA2 may also terminate the agreement on 30 days' notice if MCFEL has committed persistent minor breaches which have lead to a material breach and such breach

is not capable of remedy. On termination, any performance fee that would have been payable at the date of termination had a shareholder sold its investment in MAESA2 at market value, shall become payable. MAESA2's decision to terminate requires the unanimous approval of MAESA2 shareholders.

The base fee payable to MCFEL is 1.5% of invested capital as at the Completion Date with a performance fee of 20% of the excess of distributions by MAESA2 over the amount of invested capital as at the Completion Date, less distributions, compounded at 8% pa. As noted above, these fees are waived in respect of MAp while MAp remains Macquarie Group managed.

2.1.8 Interests of MEIF3 and other Macquarie Group entities

MEIF3 is an unlisted wholesale investment fund with equity commitments currently in excess of €1 billion with a mandate to invest in infrastructure businesses located in European Union member states, Norway, Switzerland, Iceland and Turkey. MEIF3 is managed by MCFEL under a discretionary mandate. MCFEL is a member of the Macquarie Group and it is also the adviser to MAL under a non-discretionary mandate. MAML is the trustee and manager of MAT1 and MAT2 and is a sister company of MCFEL.

Neither MAp nor MEIF3 has any arrangement to pay any Macquarie Group entity fees in connection with the Sale Transaction.

MCFEL, as manager of MEIF3, is entitled to receive a base fee of 1.5% per annum of funds raised.

MAp's base fee is 1% per annum of net investment value over $1 billion[1] payable to MAML and MCFEL. The effect of the Sale Transaction will be to reduce the base fee by approximately A$15 million per annum, assuming MAp's market capitalisation were to remain constant and MAp retained the proceeds as cash or uses it for the proposed buy-back. MAML and MCFEL receive a performance fee in respect of MAp equal to 20% of the out performance of MAp securities over the MSCI World Transportation Infrastructure Index.

Macquarie Group has a relevant interest in approximately 22.1%[2] of MAp securities.

A member of the Macquarie Group has a €50 million interest in MEIF3 as a limited partner. A member of the Macquarie Group receives a performance fee equal to 20% of the profits of MEIF3, which is payable only once MEIF3's annualised rate of return exceeds 8.0%.

1 1.5% for net investment value up to $500 million and 1.25% for net investment value from $500 million - $1 billion.

2 As disclosed by MGL in its substantial shareholder notice lodged with ASX on 21 April 2008.

2.2 MAL Resolution 2 and MAT1/MAT2 Resolutions 2 – Buy-back exceeding 10% of MAp securities in 12 months

MAp has 1,718,653,539 stapled securities on issue. As set out in the Appendix 3C lodged with ASX on 20 August 2008, MAp proposes to undertake an on-market buy-back of up to A$1 billion worth of MAp securities at market price. While the actual number of MAp securities to be bought back will depend on the market price at which securities are purchased, it is likely that the number will exceed 10% of the smallest number of MAp securities on issue in the last 12 months. For example, if $1 billion worth of MAp securities were bought back at an average price of $3.20[3], this would amount to a buy-back of approximately 18% of MAp securities. As the size of the buy-back is material, MAp is required by ASIC Class Order 07/422 to obtain security holder approval by way of an ordinary resolution to conduct the buy-back.

If security holder approval is obtained, the buy-back will be open for a period of time not exceeding 12 months. The buy-back will not commence until both the TICkETS defeasance has been implemented (and this requires approval of the Supreme Court of NSW) and the Completion Date of the Sale Transaction has been reached.

3 $3.20 was the closing price of MAp securities on 1 September 2008

Proceeds from the Sale Transaction will be used to purchase MAp securities pursuant to the buy-back.

MAp will appoint one or more brokers to purchase MAp securities on-market in the ordinary course of trading on the ASX. MAp will issue the broker with daily trading instructions to buy-back securities at a price which is not more than 5% above the average market price of MAp securities over the 5 previous trading days.

The price cap is imposed by ASX Listing Rule 7.33 and it ensures that the value of holdings of members who do not participate in the buy-back are not diluted.

In formulating the instructions to the brokers, MAp will have regard to its buy-back discretions policy published on its website. The buy-back discretions policy explains the factors that MAp takes into account when formulating instructions to the broker regarding the price and volume of securities purchased under the buy-back and includes factors such as:

- best interests of unit holders;
- prevailing market conditions;
- financial considerations;
- economic factors;
- reputational factors;
- advice on market information provided by its advisers;
- whether the market is fully informed of price sensitive information to ensure compliance with insider trading laws;
- minimising the risk that in standing in the market MAp will not be leading the market in pricing;
- the volumes of MAp securities traded on the market generally;
- the volatility of price movements in the market generally; and
- the buy-back market price.

The financial effect of the buy-back will include both a reduction in MAp's projected cash reserves following completion of the Sale Transaction and a reduction in the contributed equity in the entities that comprise MAp.

MAp's ability to pay its creditors will not be diminished by the buy-back as MAp will retain cash reserves which substantially exceed its estimate of upcoming liabilities. MAp's most recent financial statements are available on www.macquarie.com/map or can be obtained free of charge by contacting MAp Investor Relations, details of which are on the back cover.

MAML and its associates, including other Macquarie Group entities, have a relevant interest in 379,794,566 MAp securities representing 22.1% of MAp's register.[4] A consequence of the buy-back is that if MAML and its associates do not sell securities during the buy-back period, their proportionate interest in MAp will increase.

The buy-back will also lead to a reduction of the number of MAp securities on issue, which could have implications for trading liquidity and MAp's status as a constituent of some market indices.

4 As disclosed by MGL in its substantial shareholder notice lodged with ASX on 21 April 2008.

Report from the MAp Independent Directors

MAp Independent Directors believe that the buy-back is in the best interests of security holders because:

- The buy-back of MAp securities at market price supports the directors' 30 June 2008 valuations, underpinned by the sale prices for the partial divestment of Brussels and Copenhagen airports. A buy-back is considered the most efficient method for distributing the value derived from the Sale Transaction to MAp security holders as special distributions have not typically resulted in a sustained improvement of the share price of listed entities and may also have tax implications for some investors.
- Reducing the number of securities on issue will increase the quality and sustainability of distributions, assisting MAp in meeting its commitment to achieve broad convergence between its regular distribution and operating earnings by 2010.
- Utilisation of the majority of the proceeds of the Sale Transaction to implement a substantial buy-back of MAp securities reinforces MAp's investment discipline. Based on the directors' valuations, a buy-back at the market price has an implied return likely to be substantially in excess of that available in the case of major airport acquisition opportunities currently. The MAp Independent Directors are of the opinion that the perception of undisciplined acquisition risk has been a material constraint on MAp's security price.
- MAp directors undertake semi-annual valuations of each of MAp's investments, culminating in the publication of MAp's asset backing per security attributable to investments in conjunction with MAp's half yearly financial reports. MAp's asset backing per security attributable to investments as at 30 June 2008 was $4.57. This represents a 62% premium to the volume weighted average price of MAp securities for the one month prior to 20 August 2008 of $2.82. A buy-back of securities at a significant discount to underlying valuation is value accretive to remaining security holders following completion of the buy-back.

  In June 2005 the boards adopted a framework whereby each airport investment is independently valued by an appropriately qualified expert valuer at least once in any given three year period. Since adoption of this framework, the variance of any independent expert valuation to the directors' valuations adopted has been no more than 5%.
- A substantial buy-back of MAp securities provides an outlet for foreign security holders given the potential for divestment should MAp breach its foreign ownership restrictions which cap the proportion of MAp which can be owned by foreign persons at 40%. MAp's published foreign ownership level on 11 September 2008 was 38.8%, including the benefit derived from TICkETS which are substantially Australian-owned. MAp's constitution permits it to request and ultimately force foreign security holders to divest should the foreign ownership level exceed 39.5%. Divestment is on a last in first out (LIFO) basis.

3. NOTICES OF MEETING

Notice of Special General Meeting

Macquarie Airports Limited (ARBN 099 813 780)

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 on Friday 17 October 2008 at 11.00am at the State Room, Hilton Sydney 488 George Street, Sydney to transact the following business:

Resolution 1 – Sale Transaction with MEIF3

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

THAT (for all purposes including for the purposes of ASX Listing Rule 10.1), the Sale Transaction be approved, subject to the approval of the members of MAT1 and MAT2 in the same or substantially the same terms as this resolution.

Voting exclusion statement:

MAL will disregard any vote cast on the resolution by MAML, MAL, MCFEL, MEIF3 or their associates (including MGL) however need not disregard a vote 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 the 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 2 – Buy-back exceeding 10% of MAp securities in 12 months

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

THAT the buy-back of up to $1 billion of MAp securities in the 12 month period from the later of the Completion Date and the implementation of the TICkETS defeasance be approved, subject to the approval of resolution 1 and the approval of the members of MAT1 and MAT2 in the same or substantially the same terms as this resolution.

Terms and expressions used in this Notice of Meeting have, unless otherwise defined, the same meanings set out in section 4.

BY ORDER OF THE BOARD

C/- ISIS Fund Services Ltd
35 Crow Lane
East Broadway
Paget HM20
Bermuda

Anne Bennett-Smith
Secretary

17 September 2008

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 on Friday 17 October 2008 at 11.00am at the State Room, Hilton Sydney 488 George Street, Sydney to transact the following business:

Resolution 1 – Sale Transaction with MEIF3

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

THAT (for all purposes including for the purposes of ASX Listing Rule 10.1), the Sale Transaction be approved, subject to the approval of MAL and MAT2 in the same or substantially the same terms as this resolution.

Voting exclusion statement:

The Responsible Entity will disregard any vote cast on the resolution by MAML, MAL, MCFEL, MEIF3 or their associates (including MGL), 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 the 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 2 – Buy-back exceeding 10% of MAp securities in 12 months

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

THAT the buy-back of up to $1 billion of MAp securities in the 12 month period from the later of the Completion Date and the implementation of the TICkETS defeasance be approved, subject to the approval of resolution 1 and the approval of the members of MAL and MAT2 in the same or substantially the same terms as this resolution.

Terms and expressions used in this Notice of Meeting have, unless otherwise defined, the same meanings set out in section 4.

BY ORDER OF THE BOARD OF THE RESPONSIBLE ENTITY

Sally Webb
Company Secretary

17 September 2008

Notice of General Meeting

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

Macquarie Airports Management Limited (ACN 075 295 760) ("Responsible Entity") gives notice that a meeting of the unitholders of Macquarie Airports Trust (2) (ARSN 099 597 896) ("MAT2") will be held on Friday 17 October 2008 at 11.00am at the State Room, Hilton Sydney 488 George Street, Sydney to transact the following business:

Resolution 1 – Sale Transaction with MEIF3

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

THAT (for all purposes including for the purposes of ASX Listing Rule 10.1), the Sale Transaction be approved, subject to the approval of MAT1 and MAL in the same or substantially the same terms as this resolution.

Voting exclusion statement:

The Responsible Entity will disregard any vote cast on the resolution by MAML, MAL, MCFEL, MEIF3 or their associates (including MGL), 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 the 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 2 – Buy-back exceeding 10% of MAp securities in 12 months

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

THAT the buy-back of up to $1 billion of MAp securities in the 12 month period from the later of the Completion Date and the implementation of the TICkETS defeasance be approved, subject to the approval of resolution 1 and the approval of the members of MAT1 and MAL in the same or substantially the same terms as this resolution.

Terms and expressions used in this Notice of Meeting have, unless otherwise defined, the same meanings set out in section 4.

BY ORDER OF THE BOARD OF THE RESPONSIBLE ENTITY

Sally Webb
Company Secretary

17 September 2008

4. GLOSSARY

$ means Australian Dollars

€ means European Monetary Union Euros

ASIC means Australian Securities & Investments Commission

ASX means ASX Limited (ACN 008 624 691)

Brussels Airport means The Brussels Airport Company S.A.

Completion Date means the date on which completion of the Sale Transaction occurs. This is anticipated to occur before 31 December 2008

Copenhagen Airports means Copenhagen Airports A/S

Explanatory Memorandum means this Explanatory Memorandum

Independent Expert Report means the report prepared by Ernst & Young Transaction Advisory Services Limited, which is in section 6 of this Explanatory Memorandum

Macquarie Group means MGL and each of its related bodies corporate including MAML and MCFEL

MAL or **Company** means Macquarie Airports Limited (ARBN 099 813 180)

MABSA means Macquarie Airports (Brussels) S.A.

MAESA2 means Macquarie Airports (Europe) No. 2 S.A.

MAML means Macquarie Airports Management Limited (ACN 075 295 760)

MAp means Macquarie Airports, comprising MAT1, MAT2 and MAL

MAp Independent Directors means the independent and non-executive directors of MAL, being Jeff Conyers, Sharon Beesley and Stephen Ward and the independent directors of MAML, being Trevor Gerber, Bob Morris and Michael Lee

MAp securities means fully paid stapled securities in MAp

MAT1 means Macquarie Airports Trust (1) (ARSN 099 597 921)

MAT2 means Macquarie Airports Trust (2) (ARSN 099 597 896)

MGL means Macquarie Group Limited (ACN 122 169 279)

MCFEL means Macquarie Capital Funds (Europe) Limited, a wholly owned subsidiary of MGL and the adviser to MAL and the manager of MEIF3 and MEIF1

MEIF1 means Macquarie European Infrastructure Fund LP, a limited partnership registered in England pursuant to the Limited Partnerships Act 1907 with registered number LP9051

MEIF2 means Macquarie European Infrastructure Fund II, a limited partnership registered in England pursuant to the Limited Partnerships Act 1907 with registered number LP11265

MEIF3 means Macquarie European Infrastructure Fund III, a limited partnership registered in England pursuant to the Limited Partnerships Act 1907 with registered number LP12752

Sale Transaction means the proposed sale by MAp of 42% of its interest in Brussels Airport and 50% of its interest in Copenhagen Airports to MEIF3 and the revised governance arrangements described in section 2.1.7

TICkETS means Tradeable Interest-bearing Convertible to Equity Trust Securities issued by Macquarie Airports Reset Exchange Securities Trust (ARSN 110 748 859)

5. VOTING INFORMATION

Voting

You can vote in either of two ways:

- attending the meetings and voting in person or, if you are a corporate member, by corporate representative 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 at least 30 minutes prior to the time designated for the meeting so that we may check your security holding against our register of members and note your attendance. **The meetings will be held on Friday 17 October 2008 at 11.00am at the State Room, Hilton Sydney 488 George Street, Sydney.**

Voting by corporate representative

If a corporate member plans to attend, it must appoint a person to act as its representative and the appointed person must bring 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 are entitled to vote on the resolution, you may select a representative or the chairman of the meeting to act as your proxy to attend and vote for you. A representative or body corporate can be any person you choose and 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, 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 Wednesday, 15 October 2008.

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 11.00am Wednesday, 15 October 2008**.

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

More information

If you have any questions, please contact MAp Investor Relations Team on 1800 181 895 or + 612 8232 9634 (if calling from outside Australia), Monday to Friday between 9.00am and 6.00pm.

6. INDEPENDENT EXPERT REPORT

The Independent Expert Report of Ernst & Young Transaction Advisory Services Limited follows.

Independent Expert's Report and Financial Services Guide

in relation to the proposed sale of 34.7% of Macquarie Airports (Brussels) S.A. and 50.0% of Macquarie Airports (Europe) No. 2 S.A. by Macquarie Airports Limited, Macquarie Airports Trust (1) and Macquarie Airports Trust (2) (together "MAp")

17 September 2008

Ernst & Young

ERNST & YOUNG

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PART 1 – INDEPENDENT EXPERT'S REPORT

17 September 2008

The Independent Directors
Macquarie Airports Limited
35 Crow Lane
East Broadway
Paget
Hamilton HM20
Bermuda

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
Australia

Dear Independent Directors

Independent Expert's Report in relation to the proposed sale of interests in Brussels and Copenhagen Airports

Introduction and purpose of the report

Macquarie Airports ("MAp") is a stapled security structure with investments in a number of airports globally with a market capitalisation of A$5.4 billion as at 8 September 2008. MAp consists of the following entities:

- Macquarie Airports Limited ("MAL"), a mutual fund company incorporated in Bermuda
- Macquarie Airports Trust (1) ("MAT1"), an Australian registered managed investment scheme
- Macquarie Airports Trust (2) ("MAT2"), an Australian registered managed investment scheme.

Each stapled security issued by MAp consists of one share in MAL, one unit in MAT1 and one unit in MAT2. Macquarie Airports Management Limited ("MAML"), a wholly owned subsidiary of Macquarie Group Limited, is the responsible entity for MAT1 and MAT2.

On 20 August 2008, MAp announced that it had entered into a conditional agreement for the sale of 34.74% of Macquarie Airports (Brussels) S.A. ("MABSA") and 50.0% of Macquarie Airports (Europe) No. 2 S.A. ("MAESA2") to a related party, Macquarie European Infrastructure Fund 3 ("MEIF3"). The consideration for the acquisition will be settled by the payment of approximately €913 million, or A$1,500 million based on an exchange rate as at 30 June 2008 ("the Proposed Transaction"). This is comprised of €402.5 million for the interest in MABSA and €510.0 million for the interest in MAESA2. The purchase price is subject to an adjustment outlined in section 1 of the attached report.

The Proposed Transaction is subject to Chapter 10 of the Listing Rules of the Australian Securities Exchange Limited (the "ASX Listing Rules"). Accordingly, in order for the Proposed Transaction to proceed,

the security holders of MAp not associated with the Proposed Transaction (the "Non-associated Security Holders") must consider and pass a resolution approving the Proposed Transaction at an extraordinary general meeting of MAp.

Pursuant to Listing Rule 10.10, the notice of meeting must contain a report on the Proposed Transaction from an independent expert stating whether the transaction is fair and reasonable to holders of the entity's ordinary securities, other than the parties to the transaction.

Ernst & Young Transaction Advisory Services Limited has therefore been appointed by the independent directors of MAp to prepare an independent expert's report expressing an opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-associated Security Holders.

Summary of opinion

When forming our opinion, we have considered relevant regulatory guides issued by the Australian Securities & Investments Commission ("ASIC"), with particular reference to Regulatory Guide 111 Content of expert reports and Regulatory Guide 112 Independence of experts.

Regulatory Guide 111 sets out ASIC's views on the principles and matters (including the definition of "fair and reasonable") that it expects a person preparing an independent expert's report under Section 611 of the Corporations Act to consider. Regulatory Guide 111 states that the independent expert should form its opinion after considering all the circumstances of the proposal and must compare the likely advantages and disadvantages for the non-associated security holders if the proposal is agreed to, with the advantages and disadvantages to those security holders if it is not.

In arriving at our opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-associated Security Holders, we have considered a number of factors, including:

- the assessed value range of the interests in MABSA and MAESA2 to be sold in comparison to the price to be paid under the Proposed Transaction
- the likelihood of an alternative offer and alternative transactions that could realise value
- the strategic rationale for the Proposed Transaction
- the impact of the Proposed Transaction on MAp and the Non-associated Security Holders
- the likely advantages and disadvantages for Non-associated Security Holders of MAp accepting or rejecting the Proposed Transaction.

Our opinion is based on the following:

Advantages of the Proposed Transaction

Fair market value of the consideration is within our range of values

We have compared the fair market values of the interests in MABSA and MAESA2 on a controlling interest basis to the proposed consideration to be received by MAp. This is presented as follows:

Purchase price for Proposed Transaction Currency: € million	Low	High
Value of 34.74% of MABSA	374	428
Proposed purchase price	403	403
Value of 50.0% of MAESA2	465	530
Proposed purchase price	510	510

The proposed price falls within our assessed range of fair market values. In particular, the proposed price is in the middle of our assessed value range for MABSA and at the upper end of the range for MAESA2.

Our fair market values are as at 30 June 2008. This is in line with management's determination of the proposed price, being consistent with MAp directors' valuations as at 30 June 2008, which will be rolled forward to the completion date less any distributions made prior to completion. In the absence of any distributions, we note that this would result in an increase in the purchase price. The discount rates which will be used to roll forward the purchase prices of 12.0% for MABSA and 13.3% for MAESA2 are consistent with our assessed range of discount rates.

Whilst a formal competitive sale process was not conducted by MAp, in considering the fair market value we note that a sale to a third party may not necessarily result in a higher price as:

- A third party acquirer of non-controlling interests would be less likely to pay a premium for control.
- In recent times debt funding for acquisitions has become more difficult and expensive to obtain. In many cases this means acquisitions are being funded with significantly lower levels of debt, thereby impacting on purchase prices.
- A sale to a third party would likely trigger change in control provisions in the existing debt financing agreements. In the event that a refinancing was required in the current debt markets, this may impact on the cost of borrowings.
- A third party acquirer of MABSA shares would require approval of the Belgian State. In addition a sale to a third party would result in significant transaction costs.

MAp will have joint control of underlying investments

The terms of the Proposed Transaction ensures that MAp will have joint control of Brussels and Copenhagen Airports. The terms of the Proposed Transaction also provides MAp with a call option to buy back shares in the event that MEIF3 ceased to be managed by entities related to the Macquarie Group.

Crystallise investment gains

The Proposed Transaction will realise value for MAp and crystallise investment gains. The Proposed Transaction represents premia to the acquisition prices of 49% for Copenhagen Airport and 47% for Brussels Airport.

Capital management initiatives

The Proposed Transaction is expected to realise proceeds for MAp of approximately A$1,500 million which is a significant amount of cash in the context of the overall market capitalisation of MAp of A$5,414 million. As detailed in section 1 of this report, in conjunction with existing cash, the proceeds are intended to be applied for the partial redemption of up to A$250 million of TICkETS, the proposed defeasance of the remaining outstanding TICkETS and a buy back of MAp securities up to A$1,000 million (which is expected to be enabled by a proposed defeasance of TICkETS).

Overall, these initiatives will effectively reduce MAp's financial leverage, which at a time of market volatility, may be considered to be an advantage to MAp.

Low completion risk and cost

As MEIF3 is managed by entities within the Macquarie Group, it is expected that completion risk will be lower than if acquired by an unrelated party. In this respect, we understand that the Brussels Airport Shareholder's Agreement limits transfers of MABSA and Brussels Airport shares but envisages transfers of MABSA shares to MEIF3. In addition, we note that MAp is not required to pay advisory fees on these partial divestments.

Security price should the Proposed Transaction not proceed

We note that upon announcement of the Proposed Transaction and capital management initiatives, MAp's security price rose by almost 10.0%, and as at 8 September 2008 remains almost 12.0% above the price prior to the announcement. In the event that the Proposed Transaction does not proceed, there is a risk that this observed increase in security price may reverse.

Disadvantages

Change in MAp's portfolio weightings

Following the proposed partial divestment, MAp's investment portfolio will be weighted further towards Sydney Airport. Based on director's valuations and ignoring cash, MAp's investment in Sydney Airport represents approximately 49.0% of MAp's overall market capitalisation. This is expected to increase to around 61.0% following the partial divestment of interests in Brussels and Copenhagen Airports. As such, MAp's performance will be more dependent upon the operating and financial performance of, and hence distributions received from, Sydney Airport.

Conclusion

Having considered the various matters outlined in this independent expert's report, Ernst & Young Transaction Advisory Services Limited considers that the Proposed Transaction is fair and reasonable to the security holders not associated with the Proposed Transaction.

Our opinion is solely in respect of the Proposed Transaction and we do not express a separate opinion on the capital management initiatives proposed by management.

Readers are referred to the attached report and in particular section 9 of the report where we outline the key reasons for forming this opinion.

Other matters

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the MAp security holders. The decision on whether or not to approve the Proposed Transaction is a matter for individual security holders. MAp security holders should consider the advice in the context of their own circumstances and preferences. MAp security holders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own financial adviser.

Ernst & Young Transaction Advisory Services Limited has prepared a Financial Services Guide in accordance with the Corporations Act, 2001. The Financial Services Guide is included as Part 2 to this report.

Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full report.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

John E Gibson
Director and Representative

Julie Wolstenholme
Representative

Contents

1. Terms of the Proposed Transaction

On 20 August 2008, Macquarie Airports ("MAp") announced that it had entered into a conditional agreement for the sale of 34.74% of Macquarie Airports (Brussels) S.A. ("MABSA") and 50.0% of Macquarie Airports (Europe) No. 2 S.A. ("MAESA2") to a related party, Macquarie European Infrastructure Fund 3 ("MEIF3"). The consideration for the acquisition will be settled by the payment of approximately €913 million, or A$1,500 million based on an exchange rate as at 30 June 2008 ("the Proposed Transaction"). Further details of the proposed price are provided below.

MAp is a stapled security structure with investments in a number of airports globally. MAp consists of the following entities:

- Macquarie Airports Limited ("MAL"), a mutual fund company incorporated in Bermuda
- Macquarie Airports Trust (1) ("MAT1"), an Australian registered managed investment scheme, and the vehicle used by MAp to acquire non-controlling interests in airports
- Macquarie Airports Trust (2) ("MAT2"), an Australian registered managed investment scheme, and the vehicle used by MAp to acquire controlling interests, or interests which could become controlling interests, in airports.

Each stapled security issued by MAp consists of one share in MAL, one unit in MAT1 and one unit in MAT2. Macquarie Airports Management Limited ("MAML"), a wholly owned subsidiary of Macquarie Group Limited is the responsible entity for MAT1 and MAT2.

MAp's core investments include interests in four major airports – Sydney, Copenhagen, Brussels and Bristol, as well as strategic investments in Japan Airport Terminal and Grupo Aeroportuario del Sureste, S.A. de C.V. ("ASUR"). MAp is listed on the Australian Securities Exchange ("ASX") with a market capitalisation of A$5.4 billion as at 8 September 2008.

MAp's interest in Brussels airport is held through MABSA. MAp owns 82.7% of MABSA which itself owns 75.0% of Brussels Airport. The Proposed Transaction would result in a sale of an indirect interest of 26.1% of Brussels Airport.

MAp's interest in Copenhagen Airport is held through its wholly owned subsidiary MAESA2. MAESA2 owns 53.73% of Copenhagen Airport, with the Proposed Transaction resulting in the sale of an indirect interest of 26.9% of Copenhagen Airport.

MEIF3 is an unlisted wholesale investment fund which is seeking to make investments in European infrastructure assets.

1.1 Terms of the offer

The purchase price to be paid by MEIF3 is explained in detail in section 2.1.5 of the Explanatory Memorandum which is to be sent by MAp to its stapled security holders. The price payable by MEIF3 is consistent with MAp directors' valuations of its interests in MABSA and MAESA2 as at 30 June 2008.

The price payable for 34.74% of MABSA is €402.5 million (approximately A$661 million at exchange rates as at 30 June 2008) which will be rolled forward to the date of completion of the sale ("Completion Date") at a discount rate of 12.0% less any distributions received prior to the Completion Date. As set out in the Explanatory Memorandum, the Completion Date is expected to be prior to 31 December 2008.

The price payable for 50.0% of MAESA2 is €510.0 million (approximately A$838 million) which will be rolled forward to the Completion Date at a discount rate of 13.3% less any distributions received prior to the Completion Date.

1.2 Background on proposed usage of proceeds

Over the last six months MAp has been trading at a substantial discount to the net asset backing attributable per stapled security. Whilst the level of discount has changed over the period, prior to the announcement of the Proposed Transaction, MAp's security price represented a discount of approximately 39.0%. We understand that management has considered a number of initiatives to address the share price performance including partial sales of investments, share buy backs and other capital management initiatives.

As detailed in the Explanatory Memorandum, we understand that the proceeds of the Proposed Transaction are intended to be used for the following capital management initiatives:

- Up to A$250 million for the partial redemption of MAp's listed hybrid debt (referred to as Tradeable Interest bearing Convertible to Equity Trust Securities issued by Macquarie Airports Reset Exchange Securities Trust or "TICkETS"). The partial redemption is expected to be achieved via a voluntary withdrawal tender offer by TICkETS holders.

- A full economic defeasance of the TICkETS. MAp currently has approximately A$866 million of its existing cash and liquid investments secured against the TICkETS. The proposed defeasance will result in an amount of up to A$950 million (as reduced by the partial redemption of TICkETS noted above) being invested in a highly rated portfolio of securities for the benefit of TICkETS holders, and used to repay the TICkETS on the first reset date of 1 January 2010. The defeasance is subject to court approval, and if approved, the resultant release of security over MAp's operating assets is expected to provide greater flexibility to MAp over the use of its capital, and in particular, enable the proposed buy back.

- Buy back of MAp's securities for up to A$1,000 million to be undertaken over the next twelve months. The achievability of this is subject to the approval of the Proposed Transaction and the defeasance by MAp security holders.

- Other value accretive acquisition opportunities, such as MAp's recent 5.6% direct and 8.6% indirect investment in the listed airport operator ASUR, which was announced on 20 August 2008.

The remaining proceeds will be retained as cash reserves.

2. Scope of this report

2.1 Purpose of this report

ASX Listing Rule 10.1 requires the approval of the holders of a company's non-associated ordinary securities if it proposes to dispose of a substantial asset to a related party.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5.0% or more of the equity interests of the entity as set out in the latest financial statements provided to the ASX. Based on the net book value of the assets of MAp of approximately A$6,186 million as at 30 June 2008, an asset is deemed to be a substantial asset if its value is greater than approximately A$309 million, being 5.0% of the net book value of the net assets of MAp. The value of the Proposed Transaction as at 30 June 2008 is approximately A$1,500 million, comprising approximately A$661 million for the interest in MABSA and approximately A$838 million for the interest in MAESA2. Both asset divestments exceed 5.0% of the net book value of the net assets of MAp. As such, we understand that these interests are each deemed to be a substantial asset for the purpose of ASX Listing Rule 10.2.

MEIF3 is a fund managed by entities forming part of the Macquarie Group, and may be considered to be a related party for the purposes of the ASX Listing Rules. The sale of a substantial asset by MAp would require approval by the ordinary security holders under ASX Listing Rule 10.1.

Pursuant to Listing Rule 10.10, the notice of meeting must contain a report on the Proposed Transaction from an independent expert stating whether the transaction is fair and reasonable to holders of the entity's ordinary securities, other than the parties to the transaction.

We have therefore been appointed by the independent directors to prepare an independent expert's report expressing an opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-associated Security Holders.

All amounts are expressed in Euros (€) unless otherwise stated.

2.2 Meaning of "fair and reasonable"

The ASX Listing Rules do not provide guidance in relation to the definition of "fair and reasonable". In preparing this report, we have had regard to relevant regulatory guides issued by the Australian Securities & Investments Commission ("ASIC"), with particular reference to Regulatory Guide 111 Content of expert reports and Regulatory Guide 112 Independence of experts.

Regulatory Guide 111 sets out ASIC's views on the principles and matters (including the definition of "fair and reasonable") that it expects a person preparing an independent expert's report under Section 611 of the Corporations Act to consider. Regulatory Guide 111 states that the independent expert should form its opinion after considering all the circumstances of the proposal and must compare the likely advantages and disadvantages for the non-associated security holders if the proposal is agreed to, with the advantages and disadvantages to those security holders if it is not.

2.3 Fair market value

We have assessed the value of MAp's investments in MABSA and MAESA2 on a fair market valuation basis. Business valuers typically define fair market value as:

"The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

In assessing the fair market value of MAp's investments in MABSA and MAESA2, we consider it appropriate to reflect a control basis. This reflects that MAp currently has control over the underlying investments, and in the event that MAp's entire holdings were divested, security holders would be entitled to a premium for control. Furthermore, as the Proposed Transaction is between related parties, MAp security holders, in conjunction with MEIF3, will have joint controlling interests in the airports.

2.4 Basis of evaluation

In arriving at our opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-associated Security Holders, we have considered a number of factors, including:

- the assessed value range of the interests in MABSA and MAESA2 to be sold in comparison to the price to be paid under the Proposed Transaction
- the likelihood of an alternative offer and alternative transactions that could realise value
- the strategic rationale for the Proposed Transaction
- the impact of the Proposed Transaction on MAp and the Non-associated Security Holders
- the likely advantages and disadvantages for Non-associated Security Holders of MAp of accepting or rejecting the Proposed Transaction.

2.5 Limitations and reliance on information

In reaching our conclusions, we have considered and relied upon information provided by MAp and information that has been placed on the public record. We note that certain information relied on constitutes internal management information that is not on the public record. In the preparation of this report we have relied upon and considered information believed after due inquiry to be reliable and accurate. We consider reliance on this information to be reasonable in the circumstances. Our sources of information are set out in Appendix F to this independent expert's report.

We have no reason to believe that any material facts have been withheld from us. We note, however, that we have not audited the information provided to us and we do not warrant that our enquiries have disclosed all the matters that an audit or a more extensive examination might have disclosed.

Our opinion is based on economic, market and other conditions prevailing at the date of this report. This report should be read in conjunction with the declarations outlined in the qualifications and declarations in Appendix A.

2.6 Security holders' decision

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the security holders of MAp. The decision as to whether or not to approve the Proposed Transaction is a matter for individual security holders. Security holders of MAp should consider the advice in the context of their own circumstances and preferences. Security holders of MAp who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own financial adviser.

Ernst & Young Transaction Advisory Services Limited has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is included as Part 2 to this report.

3. Airport industry overview

3.1 General overview

Airport operators provide a range of services to facilitate the landing and departing of aircraft and the interchange of passengers and freight for international and domestic aviation. Their core services may be categorised into aeronautical and non-aeronautical services, as follows:

- Aeronautical services include the provision of:
  - runways and aircraft parking facilities
  - passenger terminals
  - ground handling services such as loading and unloading, baggage handling, cleaning, refuelling, check-in counters, departure gates and lounges
  - air traffic control
  - security, fire and other rescue services.

  With the exception of ground handling, these facilities and services are generally provided to airlines through the airport's standard conditions of use, though, at some airports, there may be separate contracts for at least some airlines. It should be noted that not all of the services listed above are provided by all airports. In particular, many airport companies (including Brussels Airport and Copenhagen Airport) do not supply air traffic control or ground handling services directly.

- Non-aeronautical services include a wide range of additional services such as:
  - retail services, providing space for lease by various food, clothing, duty-free and other retailers
  - car parking facilities
  - property services, such as the provision of offices for lease by freight companies, airlines and other commercial and industrial businesses
  - property development, whereby surplus land banks are developed for the provision of additional services, such as hotels, or expansion of existing infrastructure.

Aeronautical services have generally been the dominant source of revenue for airports. However, the contribution from non-aeronautical services, particularly retailing, has been increasing. This trend is expected to continue as airports further develop their retail and commercial facilities.

3.2 Sources of aeronautical revenue

The main source of aeronautical revenue is generally the aeronautical charges levied on airlines for the use of airport facilities. Principal charges are normally:

- runway charges (often referred to as landing charges)
- parking charges
- passenger charges.

Other charges may also be levied for the use of facilities such as loading bridges, fixed electrical ground power or ground handling infrastructure which are typically paid by ground handlers rather than airlines.

3.2.1 Runway charges

One of the key sources of aeronautical revenues for airports is from charges levied on aircraft utilising its runways and taxiway system. These charges are generally based on the Maximum Take-Off Weight ("MTOW") of the aircraft landing at the airport which is normally the aircraft weight but which may also include a fixed element per movement, especially when runway capacity is short. These charges may be levied on aircraft landings, take-offs or both. Additionally, at some airports (including Brussels Airport), there may be environmental charges and some charges may vary by the time of day. Alternatively, some airports charge on a per passenger ("PAX") basis.

3.2.2 Parking charges

These are normally based on a combination of aircraft weight and the length of time on stand. We note that there is often a free parking period for which no charges are levied.

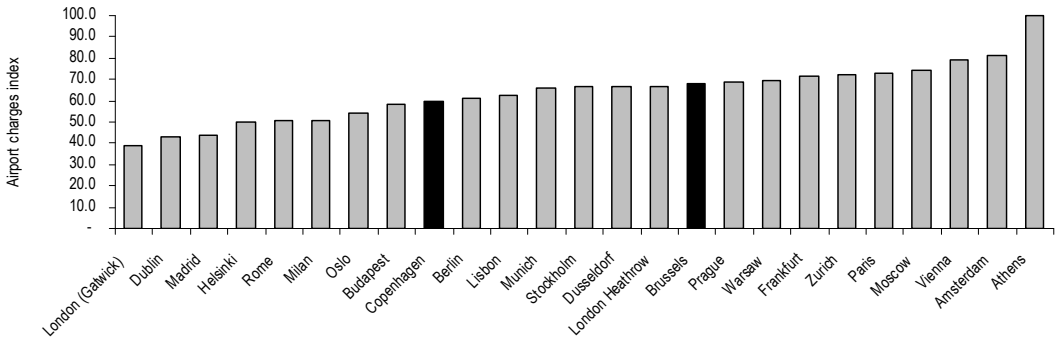
3.2.3 Passenger revenue

Another core source of revenue for airports is the charges levied per passenger. The range of charges includes security, passenger facilitation and other charges. The amount received by the airport is therefore dependent upon the number of passengers passing through the airport.

3.2.4 Levels of charges

An index of the level of charges of the 25 largest airports in Europe in 2006 is shown in the following chart. This study was compiled by the Transport Research Laboratory and is based on a basket of 8 representative aircraft types.

European airport charges index by airport



Source: Review of Airport Charges 2006, Transport Research Laboratory

The basis of charging and quantum of airport landing charges is generally subject to some form of regulation and varies by airport, although this may be relatively light handed.

3.3 Airport ownership

Airports have historically been developed and owned by their respective regional and national governments. This reflects the political, strategic and economic importance of airports to the respective nations. However in the past 20 years, particularly in Europe and Australasia, there has been an increasing trend towards privatisation which has resulted in a number of airports globally being at least partially privatised[1].

Airports may have strong market positions in their local market, although most face competition for at least some of their traffic. In addition, they may be required to comply with various international, national and local regulatory regimes. Airports typically also have at least one airline which supports a substantial proportion of the traffic. This will often be the national flag carrier of the country in which the airport is situated.

3.4 Regulatory environment

The airport industry is subject to regulation regarding the provision of both aeronautical and non-aeronautical services. In view of the international nature of the airport industry, airport operators may be required to comply with both national and international legislation.

While there are several different methods to regulate charges within the airport industry, the most common and relevant to European airports include the following, and various hybrids thereof:

- rate of return regulation
- incentive regulation
- self-regulation.

These are discussed in more detail below.

3.4.1 Rate of return regulation ("RoR")[2]

RoR, also referred to as "cost based" regulation, is the regulatory form whereby a rate of return on investments is set by the appropriate regulatory body. The RoR is generally determined based upon either the total assets of the airport or a regulated asset base. This form of regulation provides few incentives for operators to enhance the efficiency of their operations.

3.4.2 Incentive regulation[3]

Incentive regulation generally involves a regulator setting a maximum price for a product or service, or maximum total revenue for an enterprise. This may be based upon the regulator's assessment of an allowable return that may be generated on its assets, taking into consideration various factors such as traffic growth, operating costs, capital expenditure and, in some cases, non-aeronautical revenues. These price or revenue caps are set for a given period (in most cases five years) after which time the regulator will again determine appropriate price or revenue levels. Airports are therefore incentivised to outperform these parameters to improve their profitability over the regulatory price period.

[1] Global Airport Services report, Datamonitor, April 2008
[2] IATA organisation website
[3] IATA organisation website

The price caps may be calculated using various approaches, including single-till, dual-till or multi-till. Single-till is where the price cap for aeronautical fees is determined based on its total aeronautical and non-aeronautical asset base. Dual-till or multi-till is where only the aeronautical business of an airport is subject to price cap regulation. Often a combination of these methods is utilised in the airport industry.

3.4.3 Self-regulation[4]

Many airports are subject only to light handed regulation and effectively self regulate. Under this approach, a regulatory body will generally only implement requirements if it deems it necessary or is alerted to an issue.

The European Commission ("EC") has issued draft proposals for a Directive of the European Parliament and of the Council on Airport Charges. The aim of these proposals is to establish a common framework regulating the essential features of airport charges and the way in which they are set [5]. The current draft (dated June 2008) leaves it open to member states to determine the extent to which commercial revenue may be taken into account in establishing airport charges. However, the final outcome of this directive is not likely to be known until late 2008, or beyond, with a possible implementation date of April 2009.

3.4.4 Other European regulation

There are numerous European regulatory bodies that impact on airport operations. These include:

- Aviation industry regulations set by the International Civil Aviation Organisation, a global association under the United Nations, and the European Civil Aviation Conference, a European association.
- The harmonisation of flight safety rules and standards in Europe is the responsibility of the Joint Aviation Authorities and the European Aviation and Safety Agency ("EASA").
- The EC recently introduced a number of measures impacting airports, including:
  - new security measures were introduced in 2002 in response to the events of September 2001 and the need for increased security
  - in late 2006/07 it introduced new aviation security measures restricting the amount of liquids passengers may take on flights and size restrictions for carry-on luggage.
- EUROCONTROL is responsible for the coordination of the European air traffic control system through the harmonisation of European airspace standards.
- The European Parliament is currently revising the future European Union Emission Trading Scheme ("ETS"). While the airport industry has in the past supported its inclusion in the ETS, it is now opposed to the specific requirements. The scheme is expected to be finalised in late 2008 or 2009 and effective from 2012. It currently envisages that 85% of emissions permits will be allocated for free with the remaining 15% to be auctioned.

[4] Directive of the European Parliament and of the Council on Airport Charges, Commission of the European Communities, 2007

[5] Consultation paper on European draft directive on airport charges, Department of Transport

3.4.5 Brussels Airport regulation

Brussels Airport operates under an indefinite licence issued as a royal decree by the Belgian Government on 21 June 2004[6]. Its operations are currently regulated by the Service Public Federal Mobilite et Transports – Direction Generale Transport Aerien, a national organisation that regulates the aviation industry in Belgium, in conjunction with EASA.

Brussels Airport is regulated using a hybrid system under which it is envisaged that the airport will move to a full dual-till price recovery approach over a period of 20 years from the date that the regulation was introduced in 2006. The next regulatory period commences in 2011, with the regulatory charges reviewed every five years[7].

3.4.6 Copenhagen Airport regulation

Copenhagen Airport operates under a licence granted by the Minister of Transport & Energy under section 55 of the Danish Air Transport Act. These licenses are granted for periods of five years. The Minister also, in principle, regulates the charges that may be levied on the use of a public airfield. However, we understand from MAp management that in practice, the prices have been set by direct negotiation between the airport and airlines in order to establish agreed price formulae for successive three year periods.

The Danish Civil Aviation Authority ("CAA-DK") regulates and monitors compliance of the airport with the applicable regulations. Security at the airport is regulated at a national level, under the Danish Air Navigation Act. Other relevant legislation includes the Copenhagen Airports Act, the Danish Air Traffic Act and European Union ("EU") regulations.

The current regulatory period for charges ends in 2009. A revised framework is currently under negotiation for implementation in April 2009[8]. It is understood that prices will continue to be set primarily by negotiations between the airport and airlines. However, in the event of a failure to agree, the regulators would mediate.

3.5 Performance overview and outlook

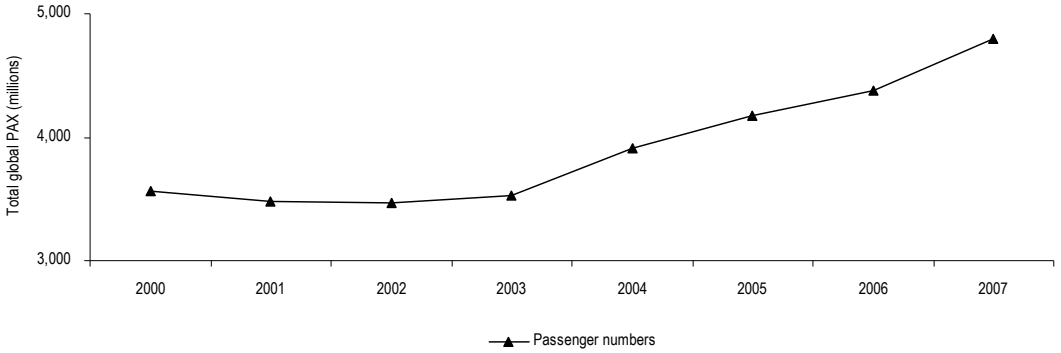
The key drivers of airport revenues are passenger numbers and non-aeronautical yields, in particular retailing. The historic performance of each of these factors and the outlook for each is discussed below.

3.5.1 Passenger numbers

Global passenger numbers have increased at a compound annual growth rate ("CAGR") of 4.3% for the period 2000 to 2007. As indicated in the chart on the following page, growth rates were relatively low in 2001 to 2003 due to events such as the September 2001 terrorist attacks and the SARS outbreak in 2003 which caused passenger confidence and desire to travel to certain destinations to decline. In the years subsequent to 2003, global passenger numbers have increased by a CAGR of 7.0%. This is partly due to the relatively strong economic conditions and the emergence of low cost carriers ("LCCs").

[6] Macquarie Bank Limited 2005 Annual Review
[7] MAp TICkETS product disclosure statement and prospectus, 2004.
[8] MAp – A resilient business, presentation, June 2008, MAp website

Global passenger numbers



Source: Airports Council International website

Industry associations and airlines estimate that global passenger numbers will show a lower level of growth in 2008 than has been historically experienced. This is due to the rising fuel prices and weaker economic conditions. However, whilst the short term outlook for the airport industry may be challenging, global passenger numbers in the medium to long term are forecast to increase annually by between 4.0% - 6.0% over the next 20 years[9]. This is expected to be driven by the continued growth in LCCs as well as the new large aircraft such as A380s which have significantly greater capacity and fuel efficiency. In addition, the globalisation of businesses is expected to support growth in business travel. Total passenger numbers are forecast to rise to over 9.0 billion globally by 2025, from 4.8 billion in 2007[10].

Over the past three years global and European passenger numbers have increased broadly at the same CAGR of 6.4%. Growth within Europe has been strong as a result of:

- Rising numbers and routes of LCCs, with their share of the European market increasing from 12.0% in 2003 to 23.0% in 2007[11].
- The appreciation of the Euro against the US dollar making travel more affordable in the region.
- Increasing propensity for business travel as a result of globalisation.
- The expanding membership of the EU boosting demand for air traffic. The European Schengen area with minimal border controls was further enhanced in 2008 to include eight Eastern European countries and Malta, with additional nations to be included being Switzerland (late 2008), Cyprus (2009), Bulgaria and Romania (2011).

However, as with the industry globally, European passenger growth in 2008 is expected to be slightly lower than historically at 5.1%[12]. According to analysts and industry reports, passenger growth should subsequently improve in 2009. As such, whilst long term passenger growth is difficult to determine, industry estimates suggest that somewhere in the range of 2.0% – 5.0% growth in the short term and 4.0% – 6.0% in the long term may not be unreasonable.

[9] Analyst reports
[10] Airports Council International and Flight Safety Foundation
[11] *Operating Economy of AEA Airlines Summary Report,* by Association of European Airlines, 2007
[12] Industry consensus forecasts table, IATA Industry statistics fact sheet, August 2008

The future growth in passenger numbers is expected to be impacted by:

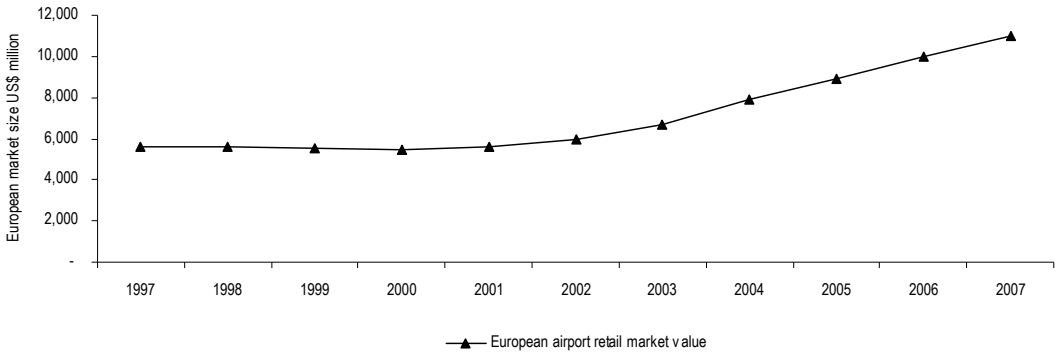
- International integration and globalisation which has led to freer travel between regions and a reduction in border formalities together with greater liberalisation of trade. Such agreements facilitating this globalisation trend include the open skies agreements, for example between the EU and the US, and Australia and the US.
- Real household disposable income which impacts on discretionary air travel.
- Rising fuel prices. This has resulted in increased costs of travel and contributed to reductions in routes by various airlines. Indeed, several airlines have already cut routes or indicated their intention to do so in the near future. Such airlines include SkyEurope, All Nippon Airways, Japan Airlines, American Airlines and United Airlines amongst others. In addition, a number of airlines have failed or are noted to be in financial distress[13].
- Increasing climate change awareness which impact on the aircraft used and operating costs.
- Appreciation of the Euro impacting non-European passenger growth.
- The sensitivity of the aviation industry to worldwide shocks.

3.5.2 Non-aeronautical services - retail

While airports have traditionally focused on aeronautical services, non-aeronautical revenues are increasingly regarded as intrinsic to an airport's success. Increasing passenger throughput is a key revenue driver, as is the improvement and expansion of retail capacity.

The global airport retailing market has grown at a CAGR of 7.5% over the period from 1997 to 2007 to reach a value greater than US$82.0 billion[14]. Europe represents the world's largest airport retail market with a 40.7% share (US$11.1 billion) of the global market in 2007[15]. The historical growth of the retail market is represented in the graph below.

European airport retailing market past performance



Source: Global airport retailing 2008 report, Datamonitor, August 2008

[13] *State of the Industry Presentation* by Association of European Airlines, Brussels, 29 May 2008
[14] The "Global airport services" industry is defined by Datamonitor to include airport operators and companies that provide related services.
[15] *Global Airport Retailing report 2008 – Focus on emerging markets*, Datamonitor, August 2008

Since 2004, the global and European airports have seen consistent double digit growth. In 2004, there was the most significant year on year increase globally, due to the continued recovery post September 2001, growth of emerging markets and the launch of new airlines. In addition, growth in European airports was supported by increased EU member states.

For the period from 2004 to 2007, the European airport retailing industry increased at a CAGR of 11.6%. Whilst a global slowdown is expected to impact on global growth in 2008, European revenues are forecast to continue to grow at a CAGR of 11.3% for the period from 2007 to 2012. Annual growth in 2011 and 2012 is then expected to reduce to approximately 8.0% as the market matures[16].

3.5.3 Non-aeronautical services – other

In addition to retailing, non-aeronautical services often provided by airports include car parking, property management and other services. Property management services include the management and development of airport property for cargo warehousing, offices, airport hotels, and other leased premises[17]. Although not as significant as the retailing segment of non-aeronautical services, these other operations provide necessary ancillary services and additional income streams.

[16] *Global Airport Retailing report 2008 – Focus on emerging markets*, Datamonitor, August 2008
[17] *Global Airport Services industry report*, Datamonitor, April 2008

4. Brussels Airport

4.1 Background

Brussels Airport commenced operations in 1958 and is the main domestic and international airport in Belgium. Located in Zaventem, near Brussels, it predominantly caters for international scheduled and charter flights as well as having significant cargo operations. Brussels is one of the major political centres in Europe being the capital city of the EU and base of the North American Treaty Organisation.

The airport is the home base for Brussels Airlines and acts as a European hub to India's Jet Airways. It is also one of the leading European cargo hubs providing freight services for companies such as DHL, Singapore Airlines Cargo, Eva Air Cargo and Saudi Arabian Cargo. In addition, it is a base for the general aviation company, Abelag Aviation.

The airport facilities currently include:

- three runways, two east/west and one north/south
- two airside terminals, Pier A and Pier B with potential capacity for approximately 30 million passengers per year
- 90 retail outlets, including retail, food & beverage and other services
- car parking for 17,925 vehicles (including staff parking)
- office space of 32,000m^2 inside the terminal and in excess of 500,000 m^2 of building and office concessions outside the terminal.

It also owns surplus freehold land banks with identified opportunities to provide around 850,000m^2 of warehousing, office and logistic space over the next 20 years. Brussels Airport also has a direct rail link to the Brussels city centre and Belgian rail network.

4.2 Group structure

Brussels Airport Holding ("BAH") and its wholly owned subsidiary The Brussels Airport Company ("TBAC") (together "Brussels Airport") are currently 25% owned by the Belgian State with the remainder held by investment funds managed by Macquarie Group. The current ownership structure of Brussels Airport is set out in the diagram on the following page.

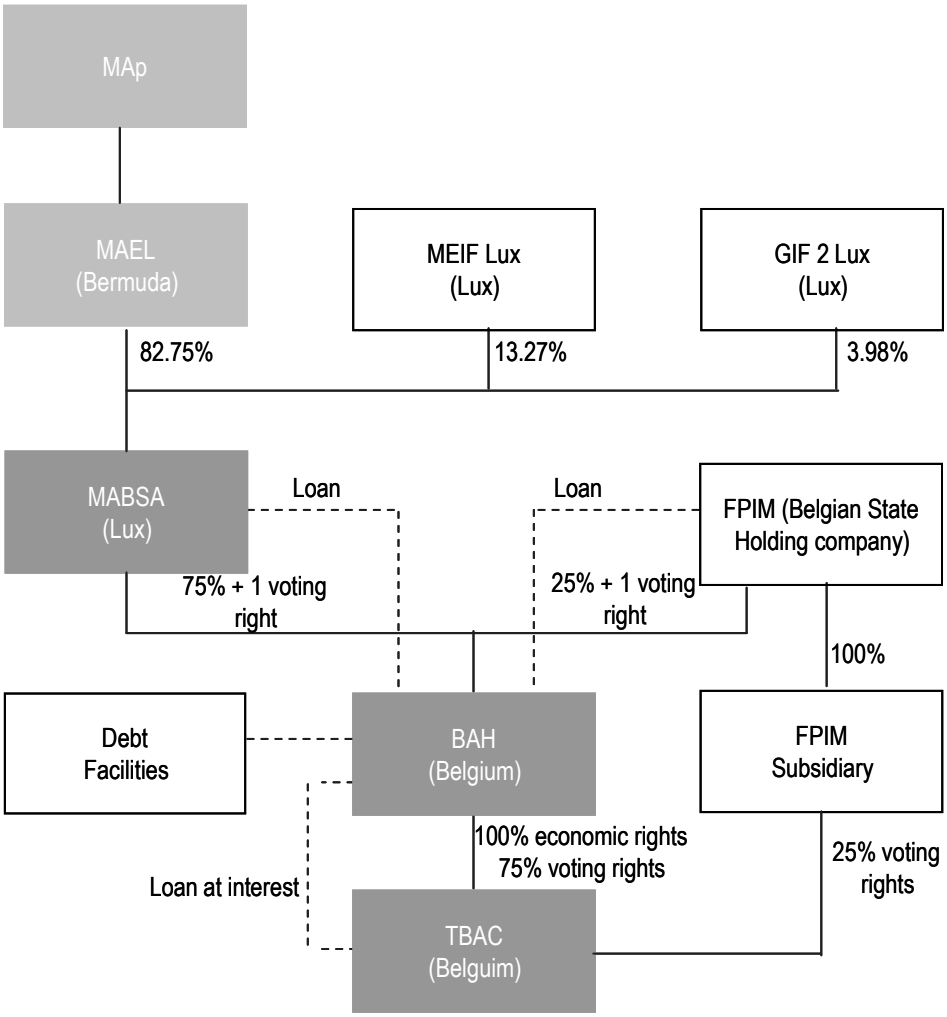
Formerly majority owned by the Belgian State with a group of private Belgian minority investors, on 30 December 2004 MABSA, the Macquarie consortium investment vehicle, acquired 70.0% of TBAC (formerly Brussels International Airport Company) for €735.0 million. The acquisition provided MAp with a beneficial interest of 52.0% in Brussels Airport.

On 1 September 2006 MAp acquired an additional 2.7% interest in MABSA from Macquarie Bank for €26.9 million which represented a beneficial interest in Brussels Airport of 1.9%. MAp's beneficial interest in Brussels Airport was at that time 53.9%. On 23 October 2007 and 14 November 2007, MAp increased its stake in Brussels Airport to 62.1% by acquiring additional interests of 5.0% from the Belgian State for €78.3 million, and 3.2% for €50.9 million from Macquarie International Infrastructure Fund ("MIIF").

TBAC is the operating entity of the group and holds all of the operating assets and liabilities of the airport. BAH acts as a holding company for TBAC and is the entity through which external debt financing is obtained. As at 30 June 2008 BAH had borrowings of approximately €1,300 million, of which around €900 million has been on-loaned to TBAC.

MABSA was established by Macquarie Group as the holding entity for its interests in Brussels Airport. As at the date of this report MAp, through its holding in MAEL, has an 82.75% interest in MABSA.

Brussels Airport ownership – existing structure



Source: MAp management

Under the Proposed Transaction, MAp, through its wholly owned subsidiary MAEL, will sell 34.74% of its interest in all of the equity and debt instruments it holds in MABSA to MEIF3. For the purposes of our valuation of Brussels Airport we have assumed that the ordinary shares, ordinary preferred shares, convertible loans and shareholder loans are all treated as equity by MAEL.

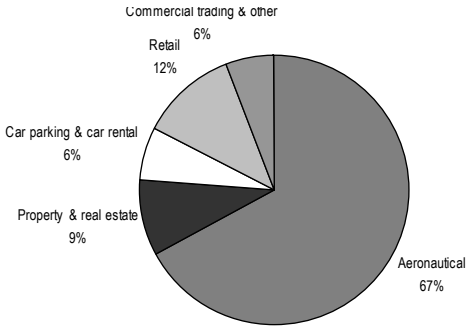
The Proposed Transaction will result in the sale of an indirect investment of 26.06% in Brussels Airport. MAEL will retain a 48.01% interest in MABSA.

4.3 Operational overview

Brussels Airport currently generates around 67.0% of revenues from aeronautical activities. The remaining revenues are derived from its retail operations, car parking facilities, commercial and property development, as detailed in the chart below. Whilst Brussels Airport continues to expand its non-aeronautical activities, its revenue split has remained relatively stable over the last four years. These are discussed in further detail below.

In addition to the operation of Brussels Airport, TBAC holds 7.6% of SN Airholding II NV, which operates Brussels Airlines and Virgin Express NV/SA.

FY07 revenue breakup



Source: Macquarie Airports full year and fourth quarter 2007 results for Brussels Airport, 8 February 2008

4.4 Aeronautical revenue

Aeronautical revenue comprises the charges levied on airlines at Brussels Airport. These include passenger fees, passenger transfer charges, security charges, aircraft landing and parking charges, and a number of ancillary charges. Of its aeronautical charges, passenger charges constitute the majority of revenues, followed by security charges and landing fees. Charges are levied either on a PAX basis or MTOW for aircraft, however, we understand the majority are levied on a PAX basis, in line with the applicable regulatory framework. Under the regulatory framework, a charges formula is set every five years in consultation with the various airlines utilising the airport. The current charges are for the five year period from 1 April 2006 to 31 March 2011.

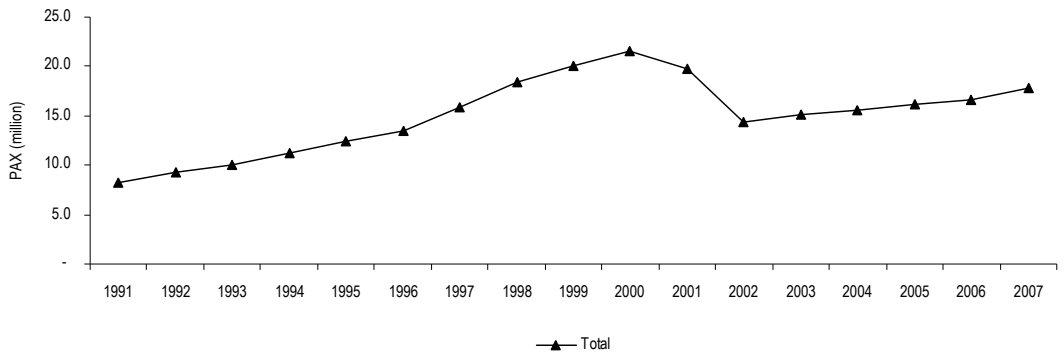
The legislation provides that charges may be adjusted to cover the costs of new government imposed measures in the areas of safety, security and the environment. This enables Brussels Airport to recover the costs of implementing increased security measures required by the EU and was effective 1 April 2007. Following the security charges increase, Brussels Airport's aeronautical revenue charges are within the upper half of charges for European airports as shown in section 3.2[18].

The majority of airlines at Brussels Airport are network carriers, which account for 73.0% of traffic, with its core carrier being Brussels Airlines (approximately 28.0% of total PAX in FY07). Around 24.0% is represented by charter airlines, with a relatively low 3.0% comprising LCCs. However, its LCC network continues to expand with new routes from easyJet, SkyEurope and Vueling. As a second tier European hub it largely serves the short haul routes.

[18] Review of Airport Charges 2006, Transport Research Laboratory

The following graph shows the total passenger numbers for Brussels Airport for the period 1991 to 2007.

Brussels Airport – passenger volume



Source: BRUtrends 2007

Brussels Airport's passenger numbers indicate a strong upward trend until 2000. The reduction in PAX from 2001 was due to the collapse of Sabena – the then national airline of Belgium in November 2001. In 2002 SN Brussels Airlines was formed and took over some of the routes previously served by Sabena. In 2007 SN Brussels Airlines merged with Virgin Express to form Brussels Airlines.

Since 2004, passengers have increased at a CAGR of 4.5%. This is below the European average primarily due to the relatively low levels of LCC traffic at Brussels Airport. However, traffic growth in the first half of 2008 increased 10.5% over the prior corresponding period. This was mainly attributable to a number of new routes having been announced including the expansion of easyJet's offering, increased weekly flights to a number of Caribbean destinations by Jetairfly and the establishment of the JetAirways base.

Major revenue growth drivers for Brussels Airport include:

- the increase in LCC airlines using the airport, which, whilst low compared to European peers, has risen to 3.3% of PAX in FY07
- expansion of the Jet Airways hub, which opened in August 2007, for flights to India and North America
- increased marketing activities resulting in the introduction of new leisure, short haul and long haul services
- increased security costs being able to be passed on to airlines as a result of agreement by the regulator.

4.4.1 Non-aeronautical revenue

Non-aeronautical revenue comprises the following:

- Retail – this includes revenue from shops, food and beverage and other commercial concessions within the airport terminals and advertising revenue receipts. Retail revenue has increased as a result of the introduction of new retail concessionaire agreements in FY06 and increased average spend per PAX. Various refurbishment and redesign initiatives continue to be undertaken to support future growth.

- Property and real estate – revenue from leases of land and buildings both within the airport terminals and for commercial and industrial leases within the airport precinct. Brussels Airport has recently commenced construction of BRUcargo West, a logistics infrastructure project with total space of approximately 120,000m^2. The first warehouse (30,000m^2) is expected to be opened in late 2008. Brussels Airport has an area of 1,200ha with surplus land available for development in the future.

- Car parking and car rental – this includes receipts from car parks operating within the airport (under a 50:50 joint venture with InterParking), and leases from car rental companies. Its car parking and car rental revenues are rising as a result of increased spend per PAX and the introduction of new car parks during FY07.

- Commercial trading and other – this primarily represents receipts from baggage handling services, revenue from the provision of IT services to airlines, and miscellaneous income.

For the period FY04 to FY07 non-aeronautical revenue has grown at a CAGR of 4.6% compared to aeronautical revenue CAGR of 7.6%. Growth in aeronautical revenue reflects passenger growth, security related charge increases and inflation. Growth in non-aeronautical revenue only partially reflects passenger growth as revenue from some businesses such as property and real estate is only partially related to traffic throughput.

4.5 Capital expenditure

Historically, capital expenditure has related primarily to maintenance work on airport infrastructure. Capital expenditure in the first six months of 2008 includes the continued investment in BRUcargo West development, the new low cost airline terminal, as well as the refurbishment of Pier A retail and other facilities. Its five year capex program totals €330 million.

4.6 Financial performance

Consolidated accounts for BAH and TBAC are not prepared. We note however that BAH does not trade and acts as an interposed entity between MABSA and TBAC. Due to the non-trading nature of BAH and the other intermediate entities between TBAC and MAp, the operational results provided are of TBAC.

The table on the following page shows the financial performance of TBAC for FY04 to FY07 and the half year to 30 June 2008.

TBAC Historic financial performance (€ million) Year ended 31 December	FY04A	FY05A	FY06A	FY07A	1H08A
Aeronautical	198	208	230	246	121
Retail	37	37	39	44	22
Property & real estate	36	35	33	33	17
Car parking & car rental	17	19	21	23	13
Commercial trading & other	17	26	21	21	12
Total revenue	**304**	**325**	**344**	**367**	**186**
Employee		(58)	(59)	(55)	(28)
Maintenance		(46)	(46)	(47)	(23)
Security		(22)	(29)	(30)	(15)
Establishment		(21)	(14)	(15)	(10)
Other		(15)	(13)	(17)	(5)
Total operating costs	**(168)**	**(163)**	**(161)**	**(164)**	**(81)**
Reported EBITDA	**136**	**162**	**183**	**203**	**105**
Revenue growth		*6.9%*	*5.9%*	*6.8%*	*nm*
Aeronautical revenue / Total revenue	*65.1%*	*64.0%*	*66.8%*	*67.0%*	*65.4%*
EBITDA growth		*21.1%*	*9.7%*	*11.8%*	*nm*
EBITDA margin	*44.8%*	*49.9%*	*53.3%*	*55.4%*	*56.3%*
Capital expenditure	32	23	28	43	27

Source: Quarterly Brussels results releases 2004 to 2008

Note: Certain comparative figures have been adjusted to reflect current revenue and expense categorisations

We note the following in relation to the above:

- Total revenues over the period have increased through both its aeronautical and non-aeronautical activities. However, EBITDA has risen at a faster rate reflecting various cost saving initiatives, with EBITDA margins in 1H08 of 56.3%.

- Results for 1H08 indicate an increase in EBITDA of 12.8% over the prior corresponding period. Traffic growth increased in 1H08 by 10.5% over the previous corresponding period due to the expansion of LCC services and the performance of the Jet Airways hub activities. EBITDA for the last twelve months to 30 June 2008 amounted to €215 million.

4.7 Financial position – TBAC

The following table shows the financial position of TBAC as at 30 June 2008.

TBAC Financial position (€ million) As at 30 June	1H08A
Assets	
Operating cash	37
Receivables	248
Financial assets	29
Tangible assets	1,538
Intangible assets	2
Total assets	**1,854**
Liabilities	
Payables	75
Deferred revenue	200
Tax liabilities	24
Interest bearing liabilities - BAH	904
Interest bearing liabilities - other	38
Pension debt	3
Total liabilities	**1,244**
Net assets	**611**

Source: MAp management

In relation to the above, we note:

- Receivables include debtors and approximately €155 million relating to the sale and leaseback of baggage equipment. A lease liability of approximately €162 million is recognised in deferred revenue above, also in relation to the sale and leaseback facility.
- Financial assets include zero coupon bonds relating to a baggage equipment lease and a 7.6% investment in SN Airholding II NV which is recorded at cost. We note that Lufthansa has recently announced its intention to acquire a stake in Brussels Airlines. The difference in book value and price implied by the proposed acquisition by Lufthansa is not material to MABSA's valuation.
- Tangible assets represent the written down value of airport infrastructure.
- Interest bearing liabilities to BAH represents a loan from BAH.
- Other interest bearing liabilities comprise a retail concession prepayment of €25.0 million and a pension fund liability of €12.9 million owed to the Belgian State pension fund.
- The pension debt comprises unfunded government pensions expensed but not yet paid. This remains from the previous government ownership of the airport.

4.8 Financial position – BAH

The following table shows the financial position of BAH as at 30 June 2008. As stated previously, BAH does not trade and acts as a lender to TBAC.

BAH Financial position (€ million) As at 30 June	1H08A
Assets	
Operating cash	75
Receivables - current	13
Receivables - non current	904
TBAC shares	1,552
Total assets	**2,544**
Liabilities	
Deferred revenue	28
Profit participating shareholder loans	599
Interest bearing liabilities	1,300
Total liabilities	**1,928**
Net assets	**617**

Source: MAp management

In relation to the above, we note:

- Current receivables relate to prepayments on an interest rate swap.
- Non-current receivables comprise a loan to TBAC.
- TBAC shares represent BAH's holding in 100% of the economic interest in TBAC as at 30 June 2008, based on directors' valuations.
- Deferred revenue relates to accrued interest on the profit participating loans and a hedge prepayment on-charged to TBAC.
- Profit participating shareholder loans relate to loans provided by shareholders in BAH in proportion to their shareholding in the company. For the purposes of our valuation we have assumed that these shareholder loans are equity.
- Interest bearing liabilities represent the total borrowing of BAH as at 30 June 2008. We note that Brussels Airport's senior debt facilities were refinanced in June 2007 and mature in 2015[19].

[19] Macquarie Airports 2008 Interim Results Presentation, dated 20 August 2008

4.9 Net debt

The consolidated net debt of BAH and TBAC is provided in the following table.

BAH and TBAC consolidated Net debt (€ million) As at 30 June	Reference	1H08A
Interest bearing liabilities - BAH	4.8	1,300
Pension debt - TBAC	4.7	3
less: Cash - BAH	4.8	(75)
less: Cash - TBAC	4.7	(37)
BAH consolidated net debt		**1,191**

Source: MAp management

5. Copenhagen Airport

5.1 Background

Founded in 1925, Copenhagen Airport was one of the first civil airports in the world. Located in Kastrup, on the island of Amager, the airport is just eight kilometres southeast of the Copenhagen city centre. It is the main airport in Scandinavia and acts as a transfer point for other Scandinavian airports, as well as a hub for international travel.

The airport is owned and operated by Copenhagen Airports A/S ("CPH"), which is a listed company with a market capitalisation of DKK 15,688 million as at 30 June 2008. CPH also owns the following:

- Roskilde Airport, a small Danish airport which largely caters to business jets and other general aviation.
- 49% interest in Inversiones y Tecnicas Aeroportuarias S.A. de C.V. ("ITA"), which itself owns 7.65% of ASUR. As a result, CPH owns a 3.75% indirect interest in ASUR. ASUR operates nine airports in Mexico and is listed on the Mexican and New York Stock Exchanges with a market capitalisation of US$1,663 million as at 30 June 2008.
- 49% interest in NIAL Group Limited ("NIAL"), which (via its subsidiary) owns and operates Newcastle International Airport in the UK.

As at 30 June 2008 CPH generated over 95% of earnings from its ownership and operation of Copenhagen Airport.

Copenhagen Airport functions as the hub for the Scandinavian airline, SAS, and is thus one of the hubs in the Star Alliance[20]. The airport is also the Scandinavian hub for the global express air freight company, DHL Airlines owned by DHL International GmbH.

The airport's facilities include:

- three linked runways
- three passenger terminals
- 71 retail outlets, 36 food & beverage outlets and five rental car outlets
- car parking facilities with a combined capacity of 11,700 parking spaces
- other commercial facilities such as a hotel, technical bases for SAS (including four large hangars), My Travel, Sterling, Danish Air Transport and North Star, cargo terminals for SAS and DHL, SG Sky Chefs and Gate Gourmet catering facilities, and other administrative offices.

It also owns surplus land banks with identified opportunities to develop various parcels of land in future. In particular, it owns 420,000m^2 of land earmarked for development as the Airport Business Park.

[20] Star Alliance is a network of 16 international airlines that fly to a total of 795 airports in 139 countries

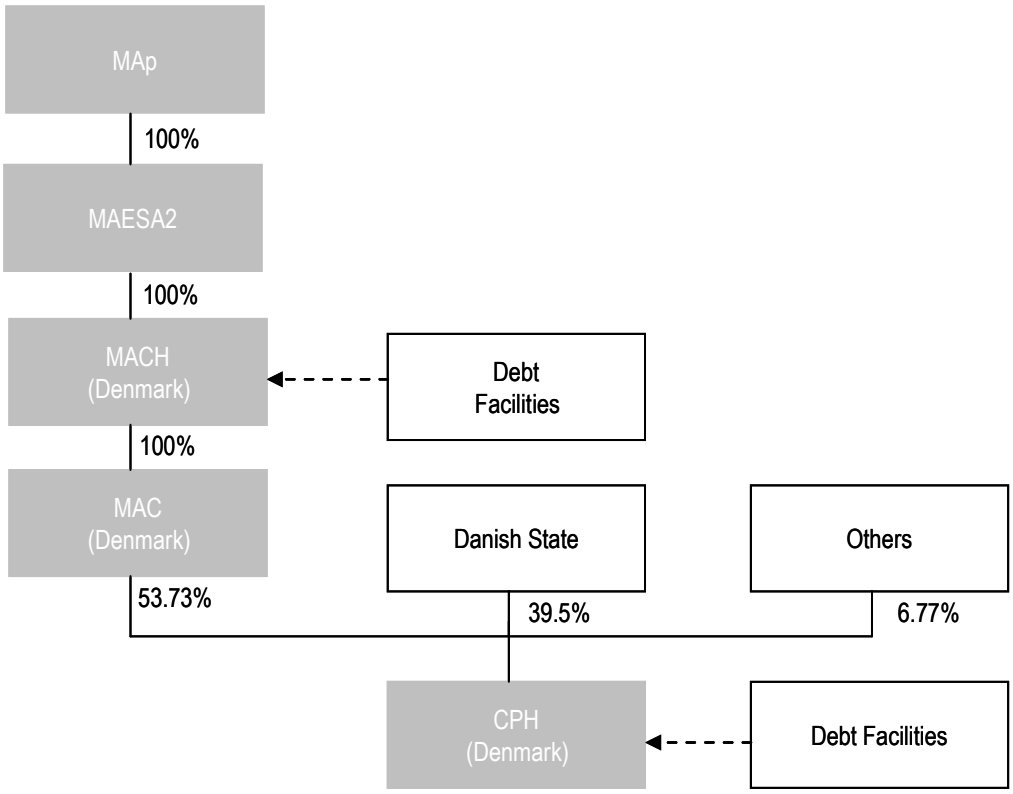
5.2 Group structure

Copenhagen Airport was formerly 100% owned by the Danish Government and operated by the Copenhagen Airports Authority, a public corporation under the Danish Ministry of Transport. CPH was granted ownership of Copenhagen Airport in 1990, and in 1994 the Danish Government sold 25% of the shares to private investors. In April 1994, CPH was listed on the Copenhagen Stock Exchange with the Danish Government selling additional shares in 1996 and 2000. The restriction preventing any private shareholder from owning more than 10% of CPH was removed in 2004.

In February 2005 MAp announced its purchase of a strategic stake of 11.3% of CPH. Between August 2005 and October 2005 MAp purchased further shares bringing its interest to 14.7%. In October 2005, MAp launched a recommended tender offer for CPH which was completed on 14 December 2005 with MAp securing a majority shareholding. In January 2006, the acquisition of employee shares took MAp's shareholding in CPH to 53.4%.

MAp currently holds an indirect interest in CPH of 53.73%. The current group structure is depicted below.

Copenhagen Airport ownership – existing structure



Source: MAp management
Note: simplified structure with some intermediate companies omitted

Macquarie Airports Copenhagen Aps ("MAC") is wholly owned by Macquarie Airports Copenhagen Holdings Aps ("MACH"), and ultimately wholly owned by MAp, through numerous intermediate holding companies ("Holdcos"). These Holdcos, including MAC and MACH, have no operations and solely act as financing or holding companies for the group.

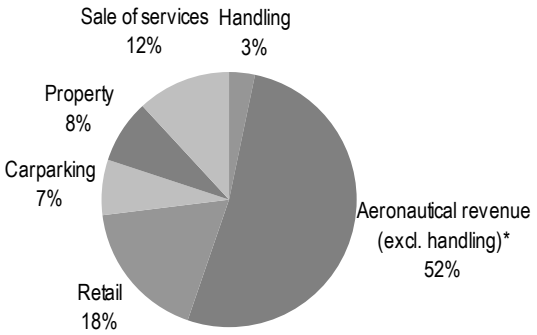
Of these, we note that MACH acts as the main financing entity. As at 30 June 2008, it has external borrowings of DKK 5.1 billion.

MAESA2 indirectly owns 53.73% of CPH. Under the Proposed Transaction, MAp will sell 50.0% of MAESA2 to MEIF3. This will result in the sale of an indirect investment of 26.87% of CPH.

5.3 Operational overview

Copenhagen Airport provides a range of aeronautical and non-aeronautical services to airlines and aircraft passengers. It currently generates around 51.7% of revenues from aeronautical activities. The remaining revenues are derived from non-aeronautical services such as retail operations, car parking, property and other services. The revenue split for FY07 is depicted in the chart below.

FY07 revenue breakup



Source: CPH full year December 2007 results

** Handling revenue has been excluded from aeronautical revenues for presentation purposes*

Over the last four years, CPH's non-aeronautical revenues have increased at a CAGR of 11.7%, with their contribution to overall revenues rising from 46.9% in FY04 to 48.3% in FY07[21].

5.3.1 Aeronautical revenue

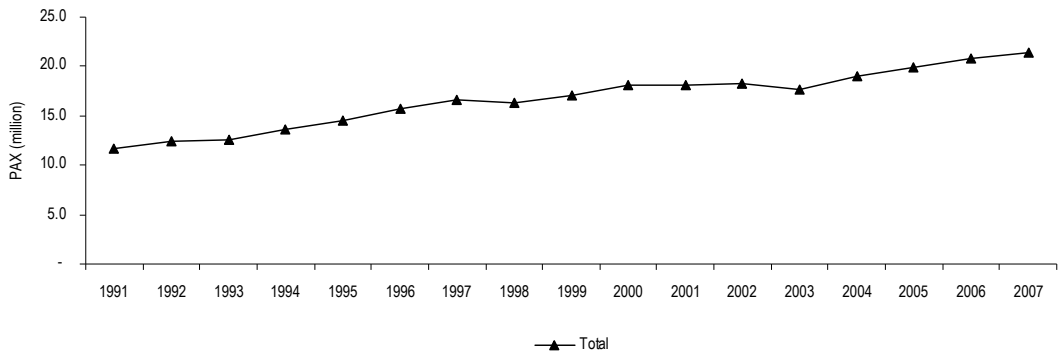
Aeronautical revenues include charges levied on airlines for usage of its runways, passenger charges, security, aircraft parking and handling. Of these, passenger charges represent the largest contribution to revenues, generating 40.1% of aeronautical revenues in the six months to June 2008. For the same period, take-off revenues represented 30.4% of aeronautical revenues with security comprising 17.5%. The remaining aeronautical revenue is attributable to parking and handling activities. Under the current regulatory regime, take-off charges are levied on a MTOW basis. Aeronautical revenues are therefore dependent upon passenger traffic, passenger mix as well as the allowable charges agreed between airports and airlines.

Copenhagen Airport is the largest airport in Scandinavia with 21.4 million passengers passing through in FY07. Direct connections are available from Copenhagen Airport to 132 destinations worldwide with the airport currently serving 65 airlines. Of these, the largest airlines in passenger numbers are SAS and the LCC, Sterling.

[21] These non-aeronautical revenue percentages include revenue from handling

The graph below shows the total passenger numbers for Copenhagen Airport for the period 1991 to 2007.

Copenhagen Airport – passenger volume



Source: CPH annual traffic growth 1991-1997 report and 1998 - 2007 report, CPH website

As indicated in the chart above, passenger numbers have historically increased at a relatively steady rate. In recent years, its passengers have risen partly through increased LCCs, which represented 14.0% of traffic in FY07, up from 10.0% in FY05. LCCs at the airport include Air Berlin, Danish Air Transport, Easyjet, Iceland Express, Norwegian, Sterling and Sky Europe. The introduction of new airlines and routes, together with an upgrade to various passenger facilities support CPH management's expectations of passenger growth in FY08 of between 2.0% and 4.0%[22].

5.3.2 Non-aeronautical revenue

CPH currently generates around 48.3% of revenues from non-aeronautical activities. These include concession revenues from its retail and car parking operations, rental income from land and premises, and consulting services provided to its international investments. The non-aeronautical activities include the following:

- Retail – this includes revenues from concessionaires for the right to operate retail outlets, restaurants and bars, as well as car hire and advertising. CPH is currently expanding its retail capacity by approximately 25.0% which will be completed in the second half of FY08. Whist this disruption impacted on sales in FY07 and the first half of FY08, retail revenues rose by 16.2% in the first half of FY08. As such, the full benefit of this additional capacity is not expected until FY09.
- Car parking – CPH's car parking revenues have increased by 50.5% since FY05 through rising passengers, price changes and the opening of additional car parks in FY06 and May 2007. However, the opening of a new Metro transport line to the airport in September 2007 has impacted on recent growth.
- Property - represents rental income received from leases of land and premises within the Copenhagen Airport precinct. A proposal is currently under preparation to develop an Airport Business Park in the longer term.
- Sale of services – this primarily relates to revenues generated from the Hilton Hotel. The Hilton Copenhagen Airport was awarded 'Best Hotel in the Metropolitan Area 2007' in the Danish Travel Awards. Sales of services also includes international consulting revenue, energy revenue and IT Services revenue.

[22] Interim report of CPH for the six months to 30 June 2008

5.4 Capital expenditure

The Supervisory Board of CPH has budgeted to invest in the order of DKK 1.0 billion in FY08, with a five year capital expenditure program totalling approximately DKK 4.0 billion. The investment is expected to be made in check-in facilities, gates and aircraft stands, baggage facilities, security, commercial projects and other passenger service improvements[23]. An expansion of the transit area is expected to be completed in the autumn of 2008.

5.5 Financial performance

The table below summarises the financial performance for CPH and its subsidiaries for the financial years ending 31 December 2004 to 2007 and for the six months to 30 June 2008.

CPH Historic financial performance (DKK million) Year ended 31 December	FY04A	FY05A	FY06A	FY07A	1H08A
Aeronautical revenue					
Take-off	502	511	474	492	
Passenger	788	896	639	680	
Parking	30	28	33	33	
Handling	90	95	98	101	
Security	-	-	309	307	
Total aeronautical revenue	**1,410**	**1,530**	**1,553**	**1,614**	**829**
Non aeronautical revenue					
Retail	526	542	590	525	
Carparking	114	136	173	204	
Property	177	200	234	230	
Sale of services	258	331	335	353	
Total non-aeronautical revenue	**1,075**	**1,209**	**1,331**	**1,311**	**703**
Other revenues	-	-	1	227	
Total revenue	**2,485**	**2,738**	**2,885**	**3,152**	**1,531**
Reported EBITDA	**1,450**	**1,329**	**1,560**	**1,785**	**844**
Revenue growth		10.2%	5.3%	-1.5%	
Aeronautical revenue / Total revenue	56.7%	55.9%	53.8%	51.2%	54.1%
EBITDA growth		-4.1%	17.4%	0.1%	
EBITDA margin	58.3%	50.8%	56.6%	51.9%	55.6%
Capital Expenditure		534	692	826	442

Source: CPH Annual reports 2004 to 2007 and CPH Interim results release June 2008

In relation to the financial performance, we note the following:

- Aeronautical revenues have increased at a compound annual rate of 5.4% between FY04 and FY07 due to passenger growth (4.0% CAGR), passenger mix and inflation (1.8% CAGR).

- Security charges are shown separately from FY06, with the additional security costs partially offset by reductions in passenger charges and, to a lesser extent, take-off charges. Nonetheless, CPH does not currently receive full recovery of the increased security costs on a year by year basis.

[23] Interim report of Copenhagen Airports A/S for the six months to 30 June 2008

- Retail concession revenue declined in FY07 largely due to the expiration of a favourable duty free contract and the disruption caused by the expansion of retail capacity. Retail revenues have since increased due to additional concessions, and despite some ongoing disruption.

- Its reported EBITDA in FY07 was impacted by non-recurring items including the sale of a building and divestment of some international assets.

Results for 1H08 indicate an increase in EBITDA of 10.3% over the prior corresponding period, with traffic growth of 5.3%. We note that a further cost reduction strategy was implemented in FY08 which is expected to result in additional EBITDA margin improvements. Future revenue growth is expected through additional expansion of its retail capacity, improved car parking revenues and a revised property development plan.

CPH management has provided earnings guidance for FY08 indicating that profit before tax for FY08 is expected to be slightly higher than achieved in FY07, excluding specific items and the impact of tax changes in the UK[24]. No guidance was provided in respect of EBITDA.

5.6 Financial position

The financial position of CPH and its consolidated subsidiaries as at 30 June 2008 is summarised in the table on the following page. Consolidated accounts are not prepared for the Holdcos, which will be discussed separately in section 5.10 of this report.

CPH Financial position (DKK million) As at 30 June	1H08A
Assets	
Cash	152
Trade receivables	336
Other receivables	16
Prepayments	25
Intangible assets	145
Property, plant and equipment	7,180
Investments in associates	227
Total assets	**8,081**
Liabilities	
Prepayments from customers	89
Trade payables	207
Income tax	73
Other payables	193
Deferred income	12
Deferred tax	814
Financial institutions	2,945
Other payables	435
Total liabilities	**4,766**
Net assets	**3,315**

Source: CPH interim results release June 2008

[24] MAp First quarter 2008 results for Copenhagen Airports dated 1 May 2008

We note from the financial position that:

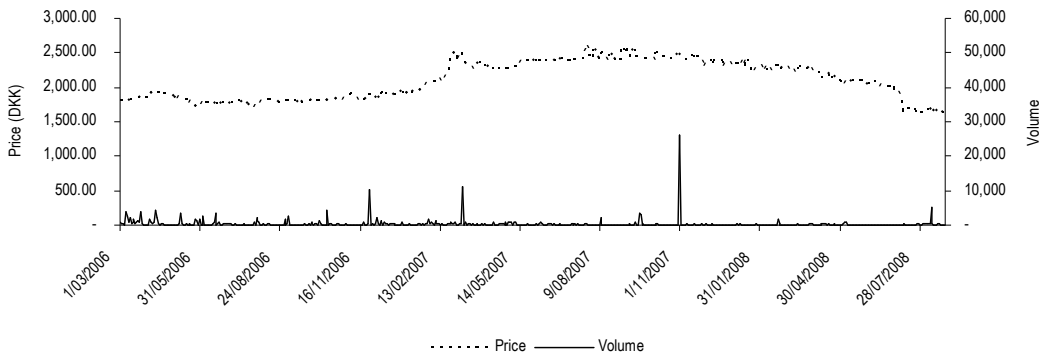
- CPH had cash of DKK 152 million as at 30 June 2008.
- Investments in associates include ITA and NIAL, which are equity accounted.
- CPH had debt owing to financial institutions of DKK 2,945 million as at 30 June 2008. As at 30 June 2008 CPH also had unused committed and overdraft facilities of DKK 1,100 million. Net debt as at 30 June 2008 totalled DKK 2,792 million.
- Dividends paid in FY07 totalled DKK 1,026 million. Based on the results for 1H08, an interim dividend of DKK 423 million was paid on 11 August 2008.

5.7 Capital structure of CPH

As at 31 December 2007, CPH's share capital was comprised of 7,848,070 ordinary shares. The major shareholders include an indirect interest held by MAp of 53.73% and the Danish Government of 39.5%. The free float is therefore less than 7.0%.

The graph on the following page depicts the trading volume and price of CPH's shares for the period 1 March 2006 to 21 August 2008. The shares are traded infrequently with the major increases in volumes largely resulting from the acquisition of shares by MAp.

Share price and volume history of CPH



Source: Bloomberg

5.8 ITA

CPH has a 49.0% investment in ITA, a privately held company, whose core asset is a 7.65% holding in ASUR. As such, CPH has an indirect holding of 3.75% of ASUR. ASUR is listed on both the New York and Mexican Stock Exchanges, with a market capitalisation of US$1,663 million as at 30 June 2008. It holds concessions to operate and develop nine airports in Mexico for a 50 year period commencing 1 November 1998. These airports include Cancun International Airport, the second largest airport in Mexico, as well as Cozumel, Huatulco, Merida, Minatitlan, Oaxaca, Tapachula, Veracruz and Villahermosa.

Since 1998, the number of passengers at the nine airports has increased from 9.8 million per year to 16.5 million passengers in 2007, representing an average annual growth rate of 6.0%. In 2007, approximately 55.1% of its passengers were international passengers[25]. Most of the airports have recently undergone comprehensive renovation and expansion in order to increase capacity, improve the facilities and increase commercial revenues. As a result, commercial revenues have increased from only 9.0% of revenue in FY00 to 30.0% in FY07. However the operations of certain airports have been impacted by natural disasters, with the 2005 Hurricane Wilma resulting in a new terminal being constructed in Cancun, which was opened in May 2007.

The financial performance of ASUR for the four years ended 31 December 2007, and half year to 30 June 2008 is shown below:

ASUR Historic financial performance (Mexican pesos million) Year ended 31 December	FY04A	FY05A	FY06A	FY07A	1H08A
Aeronautical services	1,481	1,457	1,588	1,891	1,127
Non-aeronautical services	495	607	651	895	551
Total revenues	**1,976**	**2,064**	**2,239**	**2,786**	**1,678**
Expenses (excluding dep. and amort.)		(536)	(620)	(744)	
Technical assistance fee		(66)	(71)	(92)	
Government concession fee		(103)	(112)	(139)	
General and administation expenses		(124)	(119)	(104)	
Total operating expenses	**(739)**	**(830)**	**(922)**	**(1,079)**	**(564)**
Reported EBITDA	**1,237**	**1,233**	**1,317**	**1,707**	**1,115**
Net normalisation adjustments	-	10	16	2	-
Normalised EBITDA	**1,237**	**1,243**	**1,334**	**1,709**	**1,115**

Source: ASUR Annual financial statements 2005 to 2007, ASUR 2Q2008 announcement

In relation to the above, we note that:

- In October 2005, Hurricane Wilma caused extensive damage to large portions of Cancun, including Cancun's hotels. The storm resulted in extensive flooding in Cancun and Cozumel airports, as well as severe damage in Terminals 1 & 2, and various corporate offices in Cancun airport.

- In August 2007, ASUR incurred restoration costs at Cancun, Cozumel and Merida Airports, as a result of Hurricane Dean.

[25] CPH ASUR Traffic statistics release to FY07, CPH website

The financial position of ASUR as at 31 December 2007, being the latest available accounts, is shown below:

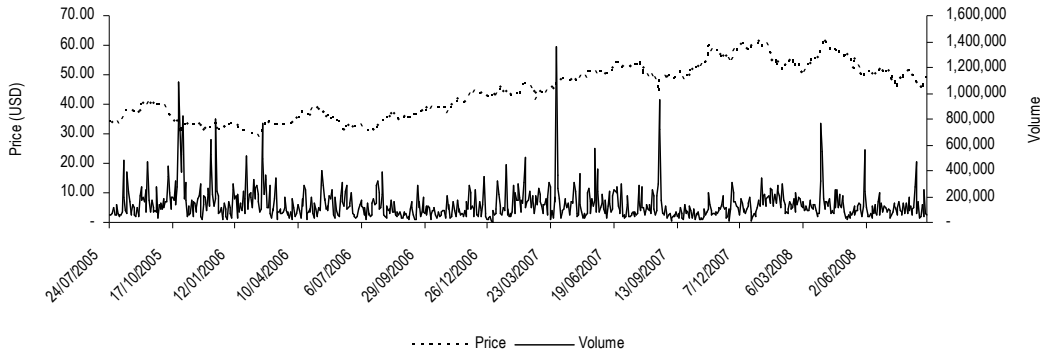
ASUR Financial position (Mexican pesos million) As at 31 December	FY07A
Assets	
Cash and cash equivalents	1,871
Other current assets	694
Improvements to concessioned assets	3,670
Rights to use airport facilities - net	1,671
Non current deferred income taxes	673
Total assets	**8,580**
Liabilities	
Other liabilities	336
Seniority premiums	8
Deferred liabilities	202
Total liabilities	**546**
Net assets	**8,034**

Source ASUR Annual financial statements 2007

As at 31 December 2007, ASUR's share capital was comprised of 277,050,000 series "B" shares and 22,950,000 series "BB" shares[26]. ITA owns 100% of the series "BB" shares.

The series "BB" shares grant ITA certain rights including the right to name two members of the Board of Directors, and veto rights with respect to certain corporate actions. ITA also has a 15 year technical services agreement with ASUR, granting it certain additional rights.

Share price and volume history of ASUR



Source: Bloomberg

[26] ASUR 31 December 2007 Annual financial statements

5.9 Newcastle International Airport

CPH owns 49.0% of NIAL, which itself owns the operating company Newcastle International Airport Limited. The remaining 51.0% interest in NIAL is held by seven northern England local authorities, which form part of a public private partnership ("PPP") together with CPH. As part of the PPP, the local authority sold these shares to CPH in May 2001.

Newcastle International Airport is the main airport for the North East of England, and the ninth largest airport in the UK. Passengers at Newcastle International Airport have increased from 3.4 million in 2001 to 5.7 million in 2007, a CAGR of 9.0%. However passenger numbers are expected to show a lower level of growth in FY08 than has previously been experienced due to weaker economic conditions. This is evidenced by a year to date growth rate of negative 10.3%[27]. A number of developments are being considered including expansion of the terminal facilities, additional aircraft parking, runway and taxiway improvements, and various passenger related and ancillary services. CPH also provides consultancy services to NIAL under a 15 year technical services agreement.

The table below summarises the financial results of the consolidated NIAL group for the four years ended 31 December 2007. It should be noted that the financial statements for FY04 and FY05 are those of Newcastle International Airport Limited whereas the figures for FY06 and FY07 have been taken from the financial statements of NIAL Group Limited.

NIAL Group Historic financial performance (£ million) Year ended 31 December	FY04A	FY05A	FY06A	FY07A
Traffic revenue	28	28	28	28
Concession revenue	14	17	20	22
Rent and other revenue	2	7	6	6
Total revenue	**44**	**51**	**53**	**56**
Other expenses	(10)	(13)	(13)	(14)
Exceptional refinance costs			(10)	
Employee benefits costs	(9)	(10)	(19)	(11)
Total expenses	**(19)**	**(23)**	**(32)**	**(25)**
EBITDA	**25**	**28**	**21**	**31**
NPAT	**13**	**15**	**(15)**	**2**
Dividends paid	**12**	**17**	**92**	**-**

Source: Newcastle International Airport Limited Annual financial statements 2004 and 2005 and NIAL Group Limited Annual financial statements 2006 and 2007

We note that:

- Traffic revenues are relatively stable, however concession revenues are increasing as a result of improvements to parking, duty and tax free sales, restaurant and retail operations.
- After adjusting for exceptional finance costs in FY06, its EBITDA has risen annually over the historic period, with EBITDA margins improving to 55.0%.
- Construction of a new control tower was completed in FY07 and became operational in December, enabling increased traffic capacity. In addition, in September 2007, the airport saw the commencement of a daily service to Dubai with Emirates.

[27] Monthly traffic development data year to date, CPH website

- Dividends paid have varied markedly each year, with no dividend having been paid in FY07.

5.10 CPH Group Holding Companies

The financial statements for each intermediate Holdco indicate that only MACH has an external debt facility. All other debt is intercompany which eliminates on consolidation. The revenues derived by these interposed entities largely comprise interest on intercompany loan balances and on cash deposits, equity dividends paid by subsidiaries and tax paid to MACH by CPH. MACH is then responsible for lodging a consolidated tax return and paying the required amount to the Danish tax authority. Management have confirmed that the Holdcos have no surplus assets.

The net external debt of the CPH Group as at 30 June 2008 is as follows:

Copenhagen Airport Group Net debt (DKK million) As at 30 June	Reference	1H08
CPH: debt owing to financial institutions	5.6	2,945
Less: Cash and cash equivalents	5.6	(152)
Net debt - CPH		**2,793**
MACH: debt owing to financial institutions		5,100
Less: Cash and cash equivalents (MACH and MAC)		(140)
Net debt - MACH		**4,960**
Total net debt		**7,753**

Source: MAp management

We note that as at 30 June 2008 MAESA2 owed MAEL an amount of DKK 1,156 million, which is to be treated as equity and has therefore not been included in the net debt figures shown above.

6. Valuation methodologies and approach

A number of valuation approaches may be applied in ascertaining the fair market value of an investment or business. These are outlined in Appendix B of this report and typically comprise the income, market and cost approaches. In valuing the investments in MABSA and MAESA2, we applied the capitalised earnings methodology as our principal valuation method, for the following reasons:

- The operating businesses of Brussels and Copenhagen Airports generate relatively strong consistent cash flows supported by sustained increases in expansionary capital expenditure.
- There are sufficient comparable listed airport operators to enable the use of this methodology. In addition, recent transactions, including transactions in the entities being valued, provide pricing indicators on a similar basis to the valuation.
- As the businesses generate reasonable returns on their assets, an asset based approach is not considered appropriate as a primary methodology.

6.1 Valuation approach

The capitalised earnings methodology requires an assessment of the earnings stream considered to be representative for the business, an assessment of the appropriate multiple to be applied to these earnings, and consideration of any surplus assets which would not be required in the continuing operations of the business. In ascertaining the appropriate capitalisation factor we considered multiples derived from quoted comparable companies and recent acquisitions in the sector. In doing so, we relied upon EBITDA multiples as they are typically used in this industry and are not distorted by:

- potentially differing depreciation policies on the companies' infrastructure networks
- amortisation expense, which is driven by intangible assets recognised in the statement of financial position, and can be significantly different across companies
- differing gearing levels of comparable companies, which impact on interest expense
- different tax rates in the respective jurisdictions.

We note that discounted cash flow methodology is also commonly applied in valuing assets with relatively predictable and stable earnings streams. As such, as a secondary methodology we have also utilised the discounted cash flow methodology based on MAp's internal business plans to 31 December 2035 for Brussels Airport, and to 31 December 2038 for Copenhagen Airport. These business plans have not been prepared for public release and are commercially sensitive.

We also cross-checked our value ranges to:

- the original acquisitions of MAp's investments in Brussels and Copenhagen airports
- values implied by analysts' consensus estimates for MAp's investments in Brussels Airport and Copenhagen Airport.

We considered cross-checking our valuation of CPH to its market capitalisation, however we recognise that its shares are not liquid. In these instances the quoted share price may not necessarily be reflective of fair market value.

We considered cross-checking the value of investments in MABSA and MAESA2 based on the overall market capitalisation of MAp, however in view of the number of investments held by MAp, and the varying debt levels and valuation multiples across these investments, we did not consider this cross-check would be meaningful.

6.2 Control premium

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- the ability to realise synergistic benefits, for example by merging the acquired company's operations with those of the acquiring entity
- access to cash flows
- access to tax benefits
- control of the board of directors and the direction of the company.

In assessing the appropriate capitalisation multiples to apply in valuing MAp's investments in MABSA and MAESA2, we consider it appropriate to reflect a control basis. This reflects that MAp currently has control over the underlying investments, and in the event that MAp's entire holdings were divested, security holders would be entitled to a premium for control. Furthermore, as the Proposed Transaction is between related parties, MAp security holders, in conjunction with MEIF3, will have controlling interests.

In assessing the appropriate equity bid premium, and in view of the lack of recent acquisitions of listed airport operators, we considered evidence from various studies which indicates that control premiums on successful takeovers have frequently been in the range of 20% to 40%. In addition, we considered global control premium indices published by Mergerstat[28]. These disclosed global equity bid premia for acquisitions in the first quarter of 2008 averaged 28.3%, with a median of 20.4%, being broadly the same as the prior twelve month period. We note however that the premiums vary significantly from circumstance to circumstance.

[28] Factset Mergerstat Global Mergers and Acquisitions Control Premium Study 1st quarter 2008

7. Valuation of Brussels Airport

7.1 Valuation

In applying the capitalised earnings methodology to assess the fair market value of 34.74% of MABSA on a controlling interest basis, we have:

- considered the normalised EBITDA for TBAC having regard to historical operating results, abnormal or non-recurring items of income and expenditure and other factors including key industry risk factors, and the general economic outlook
- determined an appropriate earnings multiple reflecting the risks inherent in the business and its future growth prospects, including a premium for control as discussed in section 6.2
- assessed whether any surplus assets and liabilities exist, being those which are not essential to the generation of the normalised earnings
- deducted the net debt of TBAC and BAH in order to arrive at the value of equity of MABSA
- calculated the proportionate interest in MABSA that is proposed to be sold.

As the financial statements of TBAC, BAH and MABSA are reported in Euros, we have undertaken our valuation of MABSA in Euros.

7.2 Assessment of EBITDA

TBAC does not provide market guidance on forecast EBITDA. As such, our assessed EBITDA for valuation purposes is based on historical financial information. We have then reflected its future growth prospects in our selection of the appropriate multiple.

In assessing the EBITDA for valuation purposes, we considered TBAC's historic trends, actual FY07 EBITDA of €203 million, as well as the EBITDA for the twelve months to 30 June 2008 of €215 million. We recognise that its earnings for the first half of FY08 increased 12.8% on the prior corresponding period, with further growth expected in the long term through its additional routes and the development of BRUcargo West. These, and other factors, are taken into consideration in our assessment of an appropriate multiple to apply to the EBITDA for valuation purposes. We note that the interposed holding companies do not generate any operational income as detailed in section 4.6, and that there were no material one-off or non-recurring items requiring adjustment to TBAC's EBITDA.

For the purposes of our valuation we have assessed the EBITDA for BAH at €210 million. In doing so, we have had regard to the expected performance of BAH in 2H08, with future expected growth reflected in our selection of an appropriate multiple.

7.3 Trading multiples

There are no listed airport operators in Belgium. As such, our selected comparable companies include airport operators across Europe, focussing on those that generate over 50% of revenues from aeronautical activities. Detailed descriptions of the selected companies are provided in Appendix C.

The table below summarises the trading multiples of the comparable companies. The multiples have been calculated based on market prices for minority or portfolio share holdings as at 30 June 2008 and based on financial year ends of 31 December. As these multiples are on a minority basis, an uplift would be required to reflect a control basis of valuation.

Trading multiples Currency: A$ million	Country	Market Cap	EBITDA Multiple (H)	EBITDA Multiple (H) LTM	FY07 % aero-nautical revenue	FY07 EBITDA margin (%)
Flughafen Zuerich AG	Switzerland	2,331	8.3	7.6	*61.8%*	*36.6%*
Fraport AG	Germany	6,407	8.1	8.0	*58.7%*	*23.9%*
Flughafen Wien AG	Austria	2,092	8.3	8.2	*84.3%*	*36.6%*
ASUR	Mexico	1,612	9.3	8.2	*67.9%*	*77.6%*
Copenhagen Airports A/S	Denmark	3,458	11.2	10.5	*53.2%*	*56.6%*
Aeroports de Paris	France	9,667	10.0	N/A	*80.8%*	*33.1%*
Low			**8.1**	**7.6**	***53.2%***	***23.9%***
High			**11.2**	**11.5**	***84.3%***	***77.6%***
Median			**8.8**	**8.2**	***61.8%***	***36.6%***
Average			**9.2**	**9.0**	***65.8%***	***48.6%***

Source: Annual Reports, Bloomberg, Reuters Estimates, Capital IQ

Note: No trailing multiple for the last twelve months was calculated for Aeroports de Paris as June 2008 interim accounts were not available

7.4 Transaction multiples

We also searched for recent acquisitions of airport operators, the implied multiples of which are summarised in the following table. The majority of these represent acquisitions of controlling interests, or purchases by existing holders of majority investments.

Transaction multiples Date	Target	Acquiror	% acquired	Currency	Trans. value (LC mn)	Enterprise value $AUD mn	Normalised EBITDA (H)	EBITDA multiple (H)
Oct-07	Kobenhavns Lufthavne	MAp	*0.3%*	DKK	66	4,996	1,560	15.2
Oct-07	Japan Airport Terminal Co. Limited	MAp	*14.9%*	JPY	35,600	2,474	22,481	11.6
Oct-07	Brussels Airport	MAp	*5.0%*	Euro	78	4,191	194	13.4
Jun-07	ASUR	Public	*6.1%*	DKK	520	1,680	725	10.8
Jun-07	Aeroporti di Roma	Gemina SpA	*44.7%*	Euro	1,240	6,701	257	16.4
Jun-07	Hainan Meilan International Airport	Oriental Patron Financial Group	*20.0%*	HKD	544	364	179	13.2
May-07	Budapest Airport	HOCHTIEF	*75.0%*	Euro	1,900	4,156	76	33.2
May-07	Birmingham Airport	OTPP/VFMC	*48.3%*	GBP	420	2,204	43	21.5
May-07	Leeds / Bradford Airport	Bridgepoint	*100.0%*	GBP	146	352	5	30.0
Mar-07	Sydney Airports Corporation	MAp	*15.1%*	AUD	663	9,369	524	17.9
Low								**10.8**
High								**33.2**
Median								**15.8**
Average								**18.3**

Source: Bloomberg, company annual reports and company press releases

We note that a number of the acquisitions pre-date the recent instability in financial markets that has made more leveraged transactions more difficult to fund or complete. As such, we would place greater reliance on the more recent transactions since mid-2007.

7.4.1 Assessment of earnings multiples

In assessing an appropriate range of earnings multiples to apply in valuing 34.74% of MABSA on a controlling basis, we considered a number of factors:

- All of the quoted comparable companies, other than ASUR operate in Europe with aeronautical revenues constituting the majority of revenues.
- Fraport Ag and Aeroports de Paris ("ADP") are significantly larger than Brussels Airport, with Fraport also being more diversified.
- Each of the comparable companies is impacted to varying extents by their regulatory regime and extent of government ownership, making comparisons more difficult.
- Based on our discussions with management in relation to the future prospects of the business, and having regard to management's internal business plan, Brussels Airport's future growth prospects are higher than all of the comparable companies. This reflects the growth of LCCs, development of BRUcargo West and continued margin improvement initiatives which are not reflected in its current earnings. This is particularly so as our assessed EBITDA for valuation purposes is based on historical results. All else being equal this would imply a higher multiple for Brussels Airport than the comparable companies.
- The trading multiples are based on the market price for minority or portfolio holdings of shares and do not include a premium for control. As discussed in section 6.2 a bid premium would need to be added to ensure the comparable trading multiples are on a similar basis.
- Brussels Airport has a significant amount of land that is undeveloped. In respect of this we note:
  - long term real estate development plans have not been published and separate land values are not available
  - its growth prospects reflect the future development of suitable land banks based on expected demand for premises within the airport precinct. We understand from management that developments would not be undertaken in the absence of market demand and pre-commitments from potential lessors of premises.

  We understand that the majority of comparable companies also own surplus land. As such, the potential future growth opportunities through development of available land banks may arguably be reflected in the comparable company multiples. However we note that certain of the airports, such as ADP, have already undergone substantial developments, and therefore on a relative basis, Brussels Airport may have greater undeveloped land banks. All else being equal this should be reflected in a higher multiple than the comparable trading companies.
- Market evidence suggests that acquisitions have historically represented a significant premium to trading company multiples. Our research suggests that the acquisition multiples in May 2007 represented a premium, in some cases, of over 100% to trading multiples at that time. We note that the extent of this premium has since reduced, possibly due to the credit market conditions, however in light of this we would place more reliance on recent transaction multiples as opposed to trading multiples.

- MAp acquired a further 5.0% interest in Brussels Airport in October 2007. This was acquired from the Belgian State increasing MAp's investment to 58.9%. The arm's length transaction implied an historic EBITDA multiple of 13.4.

- We also note that a MAp led consortium acquired the initial 70% interest in Brussels Airport in November 2004 at an implied historic EBITDA multiple of 12.3 [29]. MAp's initial investment was of a 52% interest. The acquisition implied an enterprise value for Brussels Airport of €1,635 million. At the time of the acquisition, Brussels Airport was considered to benefit from its location in a strong catchment area, significant capacity and retail and property revenue upside. Whilst arguably market conditions are currently less favourable than at the time of acquisition, its operational performance has improved through growing passenger numbers, the successful recovery of security costs, reduced operating costs and proven initiatives to increase non-aeronautical revenues.

Based on the foregoing, and placing greater emphasis on recent transactions, particularly the acquisition of an interest in Brussels Airport itself in October 2007, we consider an appropriate range of earnings multiples on a control basis is between 12.5 and 13.5.

7.4.2 Net debt

In order to arrive at the equity value, it is necessary to deduct the net debt from the value of the enterprise. As discussed in section 4.9 this is comprised of debt within TBAC as well as BAH, totalling €1,191 million as at 30 June 2008. As a holding company, no other material assets and liabilities exist within MABSA.

7.5 Valuation conclusion

Based on the assumptions set out above, the equity value of 34.74% of MABSA on a controlling interest basis is summarised below.

MABSA valuation Equity valuation € million	Reference	Low	High
Normalised EBITDA	7.2	210	210
EBITDA multiple (control basis)	7.4.1	12.5	13.5
Enterprise valuation (TBAC)		**2,625**	**2,835**
less: Net debt (TBAC & BAH combined)	4.9	(1,191)	(1,191)
Equity value - BAH (control basis)		**1,434**	**1,644**
MABSA interest in BAH	4.2	*75.0%*	*75.0%*
MABSA interest in BAH (control basis)		**1,076**	**1,233**
Interest to be transferred	4.2	*34.74%*	*34.74%*
Equity value of interest to be transferred		**374**	**428**

Source: EY analysis

We note that this value range implies EBITDA multiples of 12.2 to 13.2 based on its actual EBITDA for the twelve months to 30 June 2008 of €215 million.

7.6 Valuation cross check

Management's internal business plans to 31 December 2035 were provided to us. However as these were prepared for internal purposes and are regarded as commercially sensitive, we have not reproduced the outputs of management's plan in our report.

[29] Macquarie Airports Acquisition of Brussels Airport November 2004

However, we note that broadly, Brussels Airport's future plans reflect:

- Continued growth in passenger numbers, leveraging off its success in attracting additional LCCs to Brussels. Further, whilst the outlook for the remainder of FY08 may be challenging, as discussed in section 3.5.1, long-term passenger growth is expected at between 4.0% - 6.0%. Brussels Airport has indicated that it is targeting 30 million passengers by 2020, from 17.4 million currently. As the airport currently has excess capacity, significant amounts of capital expenditure are not required in the short-term to meet the expected passenger growth.

- Continued increases in retail revenues through capacity increases and redevelopments.

- Expansions such as BRUcargo West and subsequent developments are expected to increase its property and real estate revenues, albeit dependent on market demand for rental space.

- Strong cost containment measures are forecast to result in additional improvements in EBITDA margins.

Whilst EBITDA has grown at a CAGR of 14.4% over the years FY04 to FY07, future growth rates are expected to be lower than achieved historically.

In applying the DCF methodology, we discounted management's cash flows after financing costs and tax, using a cost of equity of between 11.8% and 12.8%. The assumptions used in our cost of equity are provided in Appendix E.

In assessing the value of the business beyond the explicit period of the cash flows, we used a terminal multiple of between 9.0 and 11.0. These multiples are lower than those referred to in section 7.4.1, reflecting the mature nature of the business by 2035.

Our analysis indicates an equity value of 34.7% of MABSA of €371 million to €410 million.

7.6.1 Other observed valuations involving Brussels Airport

As MAp's stapled securities are quoted and tradeable on the ASX, a number of market analysts publish research in relation to MAp. The majority of these reports include valuations of MAp based on a sum-of-the-parts valuation of its investments including Brussels Airport.

We note that these indicate a wide range of values of 34.74% of MABSA, from €376 million to €572 million[30]. However, few details are provided in the reports, with the majority reporting in Australian dollars and hence also subject to foreign exchange translation impacts. As such, whilst we had regard to these market views, we did not place reliance on them.

7.6.2 Conclusion

Based on our primary methodology, we consider the fair market value of 34.74% of MABSA on a controlling interest basis is between €374 million to €428 million.

[30] The analyst commentary however noted that the price was "slightly below our valuation", and we therefore considered the commentary rather than quantum.

8. Valuation of Copenhagen Airport

8.1 Valuation

In applying the capitalised earnings methodology to assess the fair market value of 50.0% of MAESA2 on a controlling interest basis, we have:

- considered the normalised EBITDA for CPH having regard to historical operating results, abnormal or non-recurring items of income and expenditure and other factors including key industry risk factors, and the general economic outlook
- determined an appropriate earnings multiple reflecting the risks inherent in the business and its future growth prospects, including a premium for control
- added the value of CPH's interests in ITA and NIAL
- deducted the net debt of CPH, MACH and of the interposed Holdcos in order to arrive at the equity value of MAESA2.

We then calculated the 50.0% proportionate interest in MAESA2 that is proposed to be sold.

As the financial statements of CPH and MACH are in DKK, we have undertaken our valuation in DKK and then converted this value to Euros. We also convert CPH's interest in both ITA ($US dollars) and NIAL (Pound Sterling) into DKK before translating these into Euros.

8.2 Assessment of EBITDA

As CPH does not provide market guidance on forecast EBITDA, our EBITDA for the purpose of the valuation is based on historical financial information. We have then reflected CPH's future growth prospects in our selection of the appropriate multiple. We note that the interposed holding companies do not generate any operating income.

In arriving at an EBITDA for the valuation of CPH, we considered its actual results for the years FY04 to FY07, as well as the results for the six months to 30 June 2008, as detailed in section 5.5 of this report. In doing so, we adjusted the FY07 EBITDA of DKK 1,785 million for the following non-recurring items:

- deducted a non-recurring gain of DKK 114.9 million from the sale of a building
- deducted gains made on the divestment of CPH's stake in Hainan Meilan, and part of its holding in ASUR totalling DKK 114.7 million
- added back DKK 79.3 million of exceptional costs relating to management restructuring, negotiation of the new regulatory framework and prior year adjustments.

After deducting the total net adjustments of DKK 150.3 million, the adjusted FY07 EBITDA is DKK 1,635 million.

We also considered CPH's EBITDA of DKK 1,650 million for the twelve months to 30 June 2008, which we adjusted for the following non recurring items:

- added back approximately DKK 51.2 million of exceptional costs relating to management restructuring, negotiation of the new regulatory framework and prior year adjustments in 2H07; and
- added back DKK 7.7 million related to one-off restructuring and regulatory framework costs in 1H08.

After deducting the total net adjustments of DKK 58.9 million, the adjusted EBITDA for the twelve months to 30 June 2008 is approximately DKK 1,710 million.

After considering its historic performance, for the purposes of our valuation we have assessed the EBITDA of CPH at DKK 1,650 million, and have taken into account its future growth initiatives in our assessment of an appropriate multiple.

8.3 Trading and transaction multiples

We have had regard to the same set of trading and transaction multiples as referred to in our valuation of MABSA which are set out in section 7.3. Detailed descriptions of the selected companies are provided in Appendix C.

8.4 Assessment of earnings multiples

In assessing an appropriate range of earnings multiple to apply in valuing CPH, we considered a number of factors:

- Based on our discussions with management in relation to the future prospects of the business, and having regard to their internal business plan, CPH's future growth prospects are higher than all of the comparable companies. This reflects a number of factors such as:
  - increased contribution from the substantial expansion in retail capacity, the full benefit of which will not be realised until FY09, with historic earnings also impacted by disruption
  - operational efficiencies expected from the implementation of process improvements
  - potential improvement in the recovery of security costs which is being negotiated with authorities and the airlines in the coming year. This may have a material impact on earnings noting that its aeronautical charges are currently in the lower half of the airports in Europe.

  As our assessed EBITDA applied in our valuation is based on historical results, all else being equal, this additional growth is reflected in a higher multiple for CPH than the comparable companies.
- The trading multiples set out in section 7.3 are based on the market price for minority or portfolio holding of shares and do not include a premium for control. A bid premium

would need to be added to ensure the comparable trading multiples are on a similar basis.

- Copenhagen Airport has land that is either not developed or has not yet been identified for development. Whilst we note that the majority of comparable companies also own surplus land, a number of these companies have already developed a large proportion of their land.

- Pursuant to MAp's public tender offer on 24 October 2005 to acquire all of the rights and shares in CPH MAp offered a price of DKK 2,000 per share in cash which represented a premium of 2.6% to the traded price. MAp's subsequent acquisition of its majority stake implied an historical EBITDA multiple of 10.3[31].

- In October 2007 Macquarie Airports (Europe) Limited acquired a small parcel of shares in Copenhagen Airport which increased its stake to 53.73%. The implied historic EBITDA multiple on this transaction was 15.2.

Based on the above factors, we are of the view that an appropriate range of earnings multiples for CPH on a controlling interest basis is 14.5 to 15.5.

8.5 Net debt

As detailed in section 5.10, the net debt of CPH and CPH Group Holding Companies as at 30 June 2008 totalled DKK 7,753 million.

8.6 ITA

CPH owns a 49.0% interest in ITA, a private company which itself owns 7.65% of the listed company ASUR. ITA owns all of the BB shares in ASUR, which carry the same economic rights as the listed B shares, in addition to certain management rights. ITA also has a 15 year technical services agreement with ASUR which also provides additional management rights. MAp management have confirmed that ITA has no other material assets or liabilities as at 30 June 2008, other than its investment in ASUR. As such, we have valued ITA based on its investment in ASUR.

In doing so we applied the market approach based on the current market capitalisation of ASUR of US$1,663 million as at 30 June 2008. ASUR's shares appear liquid with a share price of US$51.50 as at 30 June 2008, having traded in a range between US$49.72 and US$52.74 in June 2008. CPH's indirect interest of 3.75% of ASUR equates to US$58 million or DKK 274 million as at 30 June 2008.

8.7 Newcastle International Airport

CPH owns a 49.0% interest in NIAL. NIAL's share capital is comprised of three classes of shares, with the Class A Ordinary shares and Class B Ordinary shares ranking pari passu. The Class C shares are only entitled to a dividend up to a maximum total amount. CPH has a 49% economic interest in NIAL through its ownership of all of the Class B Ordinary shares.

[31] Based on CPH third quarter results (September 2005), compared with previously disclosed 10.2x based on equivalent half yearly results (June 2005)

We have applied the capitalised earnings approach in valuing CPH's interest in NIAL, based on normalised EBITDA of £31 million, being its actual EBITDA in FY07. In assessing an appropriate multiple, we had regard to the acquisition of a 48.3% stake in Birmingham Airport in May 2007 at an EBITDA multiple of 21.5. However we recognise that market conditions have declined in the intervening period, and in view of the immateriality of the investment in the context of the Proposed Transaction, we applied the same multiple as for CPH. We then deducted net debt associated with NIAL as at 30 June 2008 of £289 million implying a value for CPH's interest in NIAL of £78 million to £94 million, or DKK 740 million to DKK 883 million.

8.8 Valuation conclusion

Based on the above, the value of 50.0% of MAESA2 on a controlling interest basis is in the range of DKK 3,470 million to DKK 3,954 million, or €465 million to €530 million.[32] This is set out in the table below.

Copenhagen Airport valuation Equity valuation DKK million (unless otherwise stated)	Reference	Low	High
Normalised EBITDA	8.2.1	1,650	1,650
EBITDA multiple (control basis)	8.4	14.5	15.5
Enterprise valuation (CPH)		23,925	25,575
Less: Net debt (CPH)	5.1	(2,792)	(2,792)
Add: Interest in ITA	8.6	274	274
Add: Interest in NIAL	8.7	740	883
Equity Value		**22,146**	**23,940**
53.73% interest		11,899	12,868
Less: Net debt (MACH)	5.1	(4,960)	(4,960)
Equity value at 100%		**6,939**	**7,908**
Equity value at 50%		**3,470**	**3,954**
EUR:exchange rate as at 30 June 2008		0.134	0.134
Equity value (EUR)		**465**	**530**

Source: EY analysis

We note that this value range implies EBITDA multiples of 14.0 to 15.0 based on CPH's adjusted EBITDA for the twelve months to 30 June 2008 of DKK 1,710 million.

8.9 Valuation cross check

We have been provided with management's business plan for the period to 31 December 2038. However as this plan was prepared for internal purposes and is regarded as commercially sensitive, we have not reproduced the outputs in our report.

Broadly, the business plan of CPH reflects:

- Continued growth in passenger numbers, leveraging off its recent success in attracting additional LCCs to Copenhagen. CPH has indicated that it is targeting 30 million passengers by 2015[33].

[32] Translated on 30 June 2008
[33] Page 18 of CPH FY07 Annual Report

- Substantial increase in the shopping centre transit area. Over the next few years the shopping centre will be refurbished and expanded, growing from close to 10,000m^2 to almost 16,000m^2. Thus, retail revenues are forecast to continue to rise reflecting additional capacity increases and redevelopment.
- Increased fees from car parking reflecting a revised marketing strategy, active implementation of pre-booking and focus on product differentiation.
- Property and real estate is expected to increase through expansions such as the Airport Business Park.
- Lower tax rates than the average European rates.
- Potential recovery of security costs.
- Cost containment measures.

In applying the DCF methodology, we considered management's cash flows to equity for MAESA2 for the period to 31 December 2038. In determining the appropriate discount rates to adopt, we applied a cost of equity of between 12.6% and 13.6% based on the assumptions detailed in Appendix E.

Using this methodology, we arrive at a value for 50.0% interest in MAESA2 on a controlling basis of between €480 million to €536 million. This supports the value range using our primary methodology.

8.9.1 Other observed valuations involving Copenhagen Airport

We have also reviewed recent analyst reports on MAp commenting on the subject transaction, and note that the analysts generally apply EBITDA multiples of between 13.5 and 15.0, hence broadly supporting our value range.

8.10 Valuation conclusion

Based on our primary methodology, we consider the fair market value of 50.0% of MAESA2 on a controlling interest basis is between €465 million to €530 million.

9. Evaluation of the Proposed Transaction

In forming our opinion as to whether the Proposed Transaction is fair and reasonable, we considered the following advantages and disadvantages.

9.1 Advantages

9.1.1 Valuation comparison

We have compared the fair market values of MAp's investments in MABSA and MAESA2 on a controlling interest basis to the proposed consideration to be received by MAp. This is presented as follows:

Purchase price for Proposed Transaction Currency: € million	Low	High
Value of 34.74% of MABSA	374	428
Proposed purchase price	403	403
Value of 50.0% of MAESA2	465	530
Proposed purchase price	510	510

The proposed price falls within our assessed range of fair market values. In particular, the proposed price is in the middle of our assessed value range for MABSA and at the upper end of the range for MAESA2.

Our fair market values are as at 30 June 2008. This is in line with management's determination of the proposed base consideration, being consistent with MAp directors' valuations as at 30 June 2008 which will be rolled forward to the completion date less any distributions made prior to completion. In the absence of any distributions, we note that this would result in a higher purchase price. The discount rates which will be used to roll forward the purchases prices are 12.0% for MABSA and 13.3% for MAESA2, which are consistent with our assessed range of appropriate discount rates.

Whilst a formal competitive sale process was not conducted by MAp, in considering the fair market value we note that a sale to a third party may not necessarily result in a higher price as:

- A third party acquirer of non-controlling interests would be less likely to pay a premium for control.
- In recent times debt funding for acquisitions has become more difficult and expensive to obtain. In many cases this means acquisitions are being funded with significantly lower levels of debt, thereby impacting on purchase prices.
- A sale to a third party would likely trigger change in control provisions in the existing debt financing agreements. In the event that a refinancing was required in the current debt markets, this may impact on the cost of borrowings.
- A third party acquirer of MABSA shares would require approval of the Belgian State. In addition a sale to a third party would result in significant transaction costs.

9.1.2 MAp will have joint control of underlying investments

The terms of the Proposed Transaction ensure that MAp will have joint control of Brussels and Copenhagen Airports. The terms of the Proposed Transaction also provide MAp with a call option to buy back shares in the event that MEIF3 ceased to be managed by entities related to the Macquarie Group.

9.1.3 Crystallise investment gains

The Proposed Transaction will realise value for MAp and crystallise investment gains. The Proposed Transaction represents premia to the acquisition prices of 49% for Copenhagen Airport and 47% for Brussels Airport.

Part of the proceeds of the divestment are proposed to be distributed to MAT2 as a dividend. MAT2 has indicated that the dividend will be treated as non-assessable income of MAT2 in accordance with s.23AJ of the Income Tax Assessment Act 1936. It considers that this position reflects the proper application of s.23AJ and that it is in accordance with a conclusion recently expressed by the Australian Taxation Office in a binding public tax ruling, Taxation Determination TD 2008/25 (refer binding ruling in paragraph 1), although the underlying analysis in the non-binding explanation is not altogether consistent with the conclusion.

9.1.4 Capital management initiatives

The Proposed Transaction is expected to realise proceeds for MAp of approximately A$1,500 million which is a significant amount of cash in the context of the overall market capitalisation of MAp of A$5,414 million. As detailed in section 1 of this report, in conjunction with existing cash, the proceeds are intended to be applied for the partial redemption of up to A$250 million of TICkETS, the proposed defeasance of the remaining outstanding TICkETS and a buy back of MAp securities up to A$1,000 million (which is expected to be enabled by a proposed defeasance of TICkETS).

Overall, these initiatives will effectively reduce MAp's financial leverage, which at a time of market volatility may be considered to be an advantage to MAp.

9.1.5 Low completion risk and cost

As MEIF3 is managed by entities within the Macquarie Group, it is expected that completion risk will be lower than if acquired by an unrelated party. In this respect, we understand that the Brussels Airport Shareholder's Agreement limits transfers of MABSA and Brussels Airport shares but envisages transfers of MABSA shares to MEIF3. In addition, we note that MAp is not required to pay advisory fees on these partial divestments.

9.1.6 Security price should the Proposed Transaction not proceed

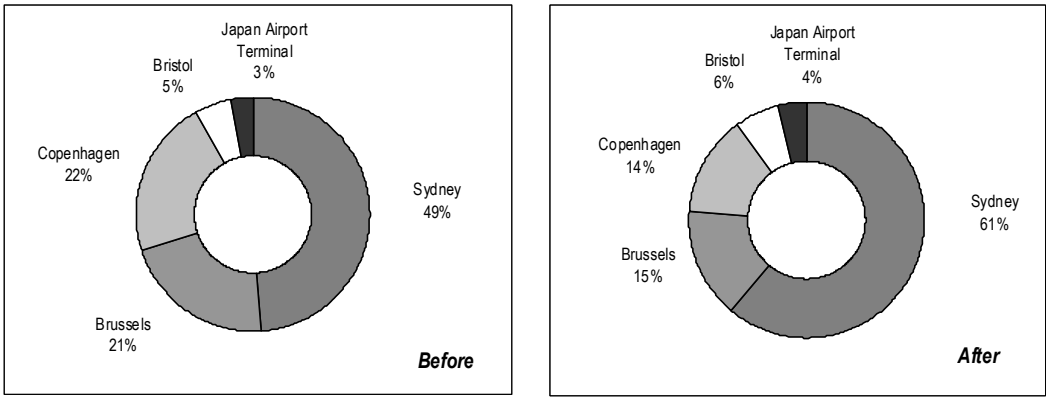
We note that upon announcement of the Proposed Transaction and capital management initiatives, MAp's security price rose by almost 10.0%, and as at 8 September 2008 remains almost 12.0% above the price prior to the announcement. In the event that the Proposed Transaction does not proceed, there is a risk that this observed increase in security price may reverse.

9.2 Disadvantages

9.2.1 Changes in MAp's portfolio weightings

Following the proposed partial divestment, MAp's investment portfolio will be weighted further towards Sydney Airport. Based on director's valuations and ignoring cash, MAp's investment in Sydney Airport represents approximately 49.0% of its overall market capitalisation. This is expected to increase to around 61.0% following the partial divestment of Brussels and Copenhagen airports. As such, MAp's performance will be more dependent upon the operating and financial performance of, and hence distributions received from Sydney Airport, until additional investments are made.

MAp's portfolio before and after the Proposed Transaction



Source: MAp 2008 Interim results presentations, 20 August 2008

Note: Weightings are based on MAp director's valuations as at 31 December 2007 and exclude the recent investment in ASUR[34]

MAp security holders should consider their own investment profiles in relation to the above matters. MAp security holders who do not believe that the future risk profile of MAp fits with their own preferences and investment profiles may either vote against the Proposed Transaction, or sell their MAp securities either prior to or after the completion of the Proposed Transaction, if approved.

9.3 Other considerations

9.3.1 Exchange rate exposure

We note that the partial divestments may change the exchange rate exposure of MAp away from an exposure to Euro currency and Danish Kroner towards Australian dollars in the short term, and ultimately towards the currency it elects to hold the proceeds or invest the funds.

9.3.2 Foreign ownership limits

We understand that MAp is approximately 37.3% owned by foreign investors. This is inclusive of the benefit of TICkETS, which are substantially Australian owned. As such, a reduction in TICkETS may impact on foreign ownership levels and dampen demand from foreign investors in order to avoid the potential for a forced divestment in the event the foreign ownership exceeds 39.5%.

[34] MAp Interim Results presentation 2008, MAp website

9.3.3 Liquidity

The proposed buy back will lead to a reduction in the number of MAp securities on issue which could impact on the liquidity of these securities.

9.4 Conclusion

Having considered the various matters outlined in this independent expert's report, Ernst & Young Transaction Advisory Services considers that the Proposed Transaction is fair and reasonable to the security holders not associated with the Proposed Transaction.

Our opinion is solely in respect of the Proposed Transaction and we do not express a separate opinion on the capital management initiatives proposed by management.

Appendix A Qualifications and declarations

Ernst & Young Transaction Advisory Services, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Corporations Act and its Representatives are qualified to provide this report. The directors of Ernst & Young Transaction Advisory Services responsible for this report have not provided financial advice to MAp or MEIF3.

Prior to accepting this engagement Ernst & Young Transaction Advisory Services considered its independence with respect to MAp and MEIF3 with reference to the ASIC Regulatory Guide 112 *independence of experts*. Ernst & Young Transaction Advisory Services and Ernst & Young provide a wide range of professional services and have provided a range of services to entities within the Macquarie Group Limited. A global affiliate of Ernst of Ernst & Young has provided limited scope accounting due diligence services with respect to the potential acquisition of airports by MEIF3. Aside from this disclosure we have not provided any services in relation to the Proposed Transaction other than the preparation of this report. It is our opinion that the abovementioned existing and historical relationships do not impact on our ability to provide an independent and unbiased opinion in the context of the Proposed Transaction. In our opinion, we are independent of MAp and Macquarie Group Limited.

This report has been prepared specifically for the non-associated security holders of MAp. Neither Ernst & Young Transaction Advisory Services, Ernst & Young, nor any member or employee thereof undertakes responsibility to any person, other than a non-associated security holder of MAp in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report Ernst & Young Transaction Advisory Services has relied upon and considered information believed after due inquiry to be reliable and accurate. Ernst & Young Transaction Advisory Services has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. Ernst & Young Transaction Advisory Services has evaluated the information provided to it by MAp as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base its report. Ernst & Young Transaction Advisory Services does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

MAp has provided an indemnity to Ernst & Young Transaction Advisory Services for any claims arising out of any misstatement or omission in any material or information provided to it in the preparation of this report.

Ernst & Young Transaction Advisory Services provided draft copies of this report to the independent directors and management of MAp for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of Ernst & Young Transaction Advisory Services alone. Changes made to this report as a result of this review by the independent directors and management of MAp have not changed the methodology or conclusions reached by Ernst & Young Transaction Advisory Services.

Ernst & Young Transaction Advisory Services will receive a professional fee based on time spent in the preparation of this report, estimated at approximately $280,000. Ernst & Young Transaction Advisory Services will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Ms Julie Wolstenholme, a representative of Ernst & Young Transaction Advisory Services and an executive director of Ernst & Young has assumed overall responsibility for this report. She has over 8 years experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered.

Mr John E Gibson, a director of Ernst & Young Transaction Advisory Services and a partner of Ernst & Young has also been involved in the preparation of this report. He has over 20 years experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered.

The preparation of this report has been undertaken pursuant to ASX Listing Rule 10.10. Ernst & Young Transaction Advisory Services has also had regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose other than to accompany the Explanatory Memorandum sent to MAp security holders. In particular, it is not intended that this report should be used for any other purpose other than as an expression of its opinion as to whether or not the Proposed Transaction is fair and reasonable to non-associated security holders.

Appendix B Valuation methodologies

There are a number of methodologies available with which to value a project, a business or the shares in a company. The principal methodologies used are:

- capitalisation of earnings
- discounted cash flow
- net realisable value of assets
- market based assessments.

Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to utilise generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information.

Capitalisation of earnings

The capitalisation of earnings methodology involves capitalising the earnings of a project, a business or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology requires consideration of the following factors:

- Estimation of normalised earnings having regard to historical and forecast operating results, abnormal or non-recurring items of income and expenditure and other factors. The normalised earnings are generally based on net profit after tax, EBIT, EBITA or EBITDA.
- Determination of an appropriate earnings multiple reflecting the risks inherent in the business, growth prospects and other factors.
- Earnings multiples applied to net profit after tax are known as price earnings multiple and are commonly used in relation to listed public companies. Earnings multiples applied to EBIT, EBITA or EBITDA are known, respectively, as EBIT, EBITA or EBITDA multiples, and are commonly used in respect of companies comprising a number of businesses where debt cannot be precisely allocated or in acquisition scenarios where the purchaser is likely to control gearing.
- An adjustment for financial debt, in the event that maintainable earnings are based on EBIT, EBITA or EBITDA.
- An assessment of any surplus assets and liabilities, being those which are not essential to the generation of the future maintainable earnings.

This methodology is appropriate where a company or business is expected to generate a relatively stable record of earnings.

Discounted cash flow

The discounted cash flow methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows.

This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life (such as oil and gas fields). The utilisation of this methodology generally requires management to be able to provide long term cash flows for the subject company, asset or business.

Net realisable value of assets

The net realisable value of assets methodology involves the determination of the net realisable value of the assets of a business or company, assuming an orderly realisation of those assets. This value includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair market value.

This methodology is appropriate where a project, a business or company is not making an adequate return on its assets or where there are surplus non-operational assets.

Market based assessments

Market based assessments relate to the valuation of companies, the shares of which are traded on a stock exchange. While the relevant share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

Appendix C Comparable companies

Trading multiples Currency: A$ million	Country	Market Cap	EBITDA Multiple (H)	EBITDA Multiple (H) LTM	FY07 % aero-nautical revenue	FY07 EBITDA margin (%)
Flughafen Zuerich AG	Switzerland	2,331	8.3	7.6	*61.8%*	*36.6%*
Fraport AG	Germany	6,407	8.1	8.0	*58.7%*	*23.9%*
Flughafen Wien AG	Austria	2,092	8.3	8.2	*84.3%*	*36.6%*
ASUR	Mexico	1,612	9.3	8.2	*67.9%*	*77.6%*
Copenhagen Airports A/S	Denmark	3,458	11.2	10.5	*53.2%*	*56.6%*
Aeroports de Paris	France	9,667	10.0	N/A	*80.8%*	*33.1%*
Low			**8.1**	**7.6**	***53.2%***	***23.9%***
High			**11.2**	**11.5**	***84.3%***	***77.6%***
Median			**8.8**	**8.2**	***61.8%***	***36.6%***
Average			**9.2**	**9.0**	***65.8%***	***48.6%***

Source: Annual Reports, Bloomberg, Reuters Estimates, Capital IQ

Note: No trailing multiple for the last twelve months was calculated for Aeroports de Paris as June 2008 interim accounts were not available. All the above multiples have been calculated based on share prices as at 30 June 2008.

Flughafen Zuerich Ag (also referred to as Unique or Zurich Airport)

Flughafen Zuerich Ag is the owner and operator of Zurich Airport. It also owns interests in various international airports in Columbia, Chile and Venezuela. Zurich Airport is the national and international air traffic hub for Switzerland and is ranked amongst the top ten European airports in terms of passenger numbers. The airport is highly dependent on Swiss International Airlines, with aeronautical revenues contributing around 62% of revenues in FY07.

Zurich Airport is of a similar size to Copenhagen Airport in terms of passenger numbers although generates slightly lower margins. Its aeronautical business represents a higher proportion of revenue than Copenhagen Airport, although lower than Brussels Airport. Further, Zurich Airport is currently in the process of agreeing development plans with the Swiss Federal Office of Civil Aviation which are expected to constrain long-term planning decisions, and is also facing litigation regarding noise-related claims.

Fraport Ag

Fraport Ag owns interests in and operates a number of airports globally. Its core investment is in Frankfurt Airport, Germany, a major European hub with over 54 million passengers per annum. It also holds controlling interests in Frankfurt-Hahn, Antayla (Turkey), Lima (Peru), Burgan and Varma (Bulgaria) airports, minority interests in Hanover (Germany), Delhi (India) and Xi-an (China) airports, as well as operating Cairo and Dakar airports under management contracts.

In FY07 aeronautical revenues contributed 58.7% of total revenues, however its EBITDA margins are lower than its European peers at 23.9% due to its large, low margin handling business. Fraport remains 60% owned by the German government. Furthermore, Fraport AG is currently undertaking a large capital expenditure programme which is not yet supported by increased passenger growth.

Flughafen Wien Ag ("Vienna Airport")

Flughafen Wien Ag owns and operates Vienna International Airport as well as interests in Voslau-Kottingbrunn Airport, Kosice airport, Malta airport and Flughafen Friedrichshafen.

Vienna Airport acts as an east-west European hub with total passengers of over 12 million in FY07. It remains relatively reliant on aeronautical revenues which comprised 84% of revenue in FY07. In particular, it is reliant on the national carrier, Australian Airlines, which accounted for around 48% of passengers in the first quarter of 2008. However, the airline is discontinuing various international long-haul flights in order to improve its profitability.

The company has a free float of 50% with the remaining 50% held by the Province of Lower Austria (20%), the City of Vienna (20%) and employees (10%).

ASUR

ASUR operates, maintains and develops airports in the southeast region of Mexico. It currently manages nine airports, including the second largest airport in Mexico, being Cancun International Airport. The locations of ASUR's airports facilitate travel and transfers throughout the Caribbean and Scandinavian area, with in excess of 16 million passengers in FY07.

ASUR operates under a 50 year concession from the Mexican Government, with rights to renew under certain conditions. At the expiry of the concession the permanent assets of ASUR revert to the Mexican government.

Copenhagen Airports A/S (also referred to as Kobenhavns Lufthavne)

Copenhagen Airports owns and operates Copenhagen Airport, as well as owning interests in ASUR and Newcastle International Airport. It is listed on the Copenhagen stock exchange, however remains majority owned by MAp and the Danish Government, with a free float of around 7%. There is minimal analyst coverage or trading in its shares.

Aeroports de Paris

ADP owns and operates three airports in France, including Paris-Charles de Gaulle, Orly and Paris-Le Bourge. It also operates ten airfields and a heliport. Paris-Charles de Gaulle is one of the main European air traffic hubs. In FY07 ADP serviced a total of 86 million passengers, and generated 80.8% of revenues from aeronautical services. As with some other European airports, ADP is heavily dependent on a single airline, in this case AirFrance, which accounted for approximately 54.0% of passengers in 2007. However, as ADP is a single till regulated asset, it is afforded some protection against reducing passenger numbers, whereby if traffic declines, prices may be increased to offset the lost traffic volume.

ADP is majority owned by the French Government, which by law must own at least 50.1% of the airport.

Appendix D Recent transactions

Transaction multiples Date	Target	Acquiror	% acquired	Currency	Trans. value (LC mn)	Enterprise value $AUD mn	Normalised EBITDA (H)	EBITDA multiple (H)
Oct-07	Kobenhavns Lufthavne	MAp	*0.3%*	DKK	66	4,996	1,560	15.2
Oct-07	Japan Airport Terminal Co. Limited	MAp	*14.9%*	JPY	35,600	2,474	22,481	11.6
Oct-07	Brussels Airport	MAp	*5.0%*	Euro	78	4,191	194	13.4
Jun-07	ASUR	Public	*6.1%*	DKK	520	1,680	725	10.8
Jun-07	Aeroporti di Roma	Gemina SpA	*44.7%*	Euro	1,240	6,701	257	16.4
Jun-07	Hainan Meilan International Airport	Oriental Patron Financial Group	*20.0%*	HKD	544	364	179	13.2
May-07	Budapest Airport	HOCHTIEF	*75.0%*	Euro	1,900	4,156	76	33.2
May-07	Birmingham Airport	OTPP/VFMC	*48.3%*	GBP	420	2,204	43	21.5
May-07	Leeds / Bradford Airport	Bridgepoint	*100.0%*	GBP	146	352	5	30.0
Mar-07	Sydney Airports Corporation	MAp	*15.1%*	AUD	663	9,369	524	17.9
Low								**10.8**
High								**33.2**
Median								**15.8**
Average								**18.3**

Source: Bloomberg, company annual reports and company press releases

The above table summarises the multiples implied in recent acquisitions of airport operators:

- In October 2007 Macquarie Airports (Europe) Limited acquired a small parcel of shares in Copenhagen Airport increasing its stake to 53.7%. This was undertaken through an on market purchase.
- MAp acquired a 14.9% interest in Japan Airport Terminal Co. Limited, the owner and operator of facilities at Tokyo International Airport.
- In October 2007 MAp acquired a further 5.0% interest in Brussels Airport, increasing its holding to 58.9%. The interest was sold by the Belgian State.
- In June 2007 Copenhagen Airports A/S sold a 6.1% minority interest in ASUR, an operator of nine airports in Mexico. The transaction was undertaken through an on market purchase.
- Gemina SpA, an Italian holding company with interests in the airport industry, acquired the remaining 44.7% interest in Aeroporti di Roma SpA. Aeroporti di Roma operates Fiumicino and Ciampino airports in Italy under a concession from the Italian Government. Fiumicino is the largest Italian airport, with a 28% market share of passengers in Italy, whilst Ciampino caters to low cost airlines with a 3% market share.
- In June 2007, Oriental Patron Financial Group acquired a 20% interest in Hainan Meilan International Airport Company Limited, which operates the Hainan Meilan Airport in China.
- In May 2007, a consortium led by HOCHTIEF acquired a 75% interest in Budapest Airport Zrt, the owner and operator of Budapest Airport. The stake was acquired from BAA Ltd with a consortium of partners, including Caisse de depot et placement du Quebec (Montreal), GIC Special Investments (Singapore) and KfW IPEX-Bank

(Frankfurt). The transaction multiple is considerably higher than other transactions reflecting the strong growth prospects in Budapest with analysts' noting that the multiple may be around 13x by 2011.

- An investor consortium comprised of The Ontario Teachers Pension Plan ("OTPP"), a Canadian private equity firm, and Victorian Funds Management Corporation, an Australian private equity firm, acquired 48.3% of Birmingham Airport in May 2007. The remaining interests were held by West Midlands Districts Council. According to OTPP the airport was expected to benefit from high growth with the completion of a runway extension expected to enhance its international reach.

- In May 2007, the private equity investor Bridgepoint Capital acquired Leeds Bradford Airport from five local councils. According to Bridgepoint Capital, the relatively high transaction multiple reflected an expected increase in passenger numbers through the planned expansion of terminal capacity and development of airside and landside infrastructure[35].

- In March 2007, MAp acquired a further 15.1% interest in Sydney Airports Corporation, increasing its beneficial interest to 78.7%. The transaction resulted from the exercise of MAps' call option over Ferrovial Infraestructures S. A.'s interest of 20.9%.

[35] press release 3 May 2007 issued by Bridgepoint Capital

Appendix E Discount rates

In ascertaining the appropriate discount rates as at 30 June 2008 we used the Capital Asset Pricing Model ("CAPM"). The CAPM measures the return required by investors given the company's risk profile. This model is expressed arithmetically by the following equation:

ke = rf + (β x rpm)

where:

ke	=	Cost of equity financing
rf	=	Risk-free rate of return
β	=	Beta, a measure of the level of non diversifiable risk associated with company returns
rpm	=	Market equity risk premium

Our analysis is based on the following assumptions:

a. the nominal risk-free rate of return, which is based on the 10 to 20 year government bond rate in the relevant jurisdiction

b. ungeared betas ranging from 0.65 to 0.75 based on un-gearing the betas of comparable companies against their relevant stock indices

c. an equity risk premium of reflecting the expected return of the market over the risk free rate based on current market practice in Belgium and Denmark

d. long-term gearing ratios based on the actual capital structure of the holding companies BAH and MACH

e. re-geared betas reflecting these respective long-term gearing ratios for each of BAH and MACH

f. an additional premium to reflect factors such as the size of the companies.

Assumptions	MABSA	MAESA2
Risk free rate	5.0%	5.0%
Asset beta	0.65 - 0.75	0.65 - 0.75
Debt to enterprise value	45.0%	40.0%
Equity beta	1.0 - 1.3	1.0 - 1.3
Market risk premium	5.0%	5.0%
Size and specific risk	1.0%-1.5%	2.0%-3.0%
Cost of equity	**11.8% - 12.8%**	**12.6% - 13.6%**

Source: Bloomberg, Ibbotson Associates, company financial statements and Capital IQ

Appendix F Sources of information

In arriving at our views, we have had regard to the following sources of information:

- financial data provided by MAp on MABSA, TBAC, BAH, MAESA2, CPH, NIAL, NIAL Group, ASUR and various interposed entities
- results presentations released by MAp
- ASX results releases by MAp
- discussions with MAp management
- analyst reports on MAp and comparable companies
- MAp, Copenhagen Airport and Brussels Airport websites
- financial statements for the comparable companies listed in Appendix C for the years 2007 and 2008
- IBISWorld industry reports
- Bloomberg data
- Factiva
- Datamonitor research reports
- consensus estimates obtained through Reuters
- Industry association websites including European Aviation and Safety Agency, International Civil Aviation Organisation, Airports Council International, Association of European Airlines
- *State of the Industry Presentation* by Association of European Airlines, Brussels, 29 May 2008

Appendix G Glossary

Term	Meaning
A$	Australian dollars
ADP	Aeroports de Paris
ASIC	Australian Securities & Investments Commission
ASUR	Grupo Aeroportuario del Sureste, S.A. de C.V.
ASX	Australian Securities Exchange Limited
ASX Listing Rules	Listing Rules of the Australian Securities Exchange Limited
BAH	Brussels Airport Holding
Brussels Airport	Brussels Airport Holding and The Brussels Airport Company
CAA-DK	Danish Civil Aviation Authority
CAGR	Compound annual growth rate
Completion Date	Date of the completion of the sale under the Proposed Transaction
Copenhagen Airport or CPH	Copenhagen Airports A/S, the listed company
Copenhagen Airport Group	CPH and the associated holding companies, MAC and MACH
DKK	Danish Kroner
€	Euro
EASA	European Aviation and Safety Agency
EC	European Commission
ETS	European Union Emission Trading Scheme
EU	European Union
FY0X	Financial year ended 31 December 200X
Holdco	Holding company
1H08	Half year ended 30 June 2008
ICAO	International Civil Aviation Organisation
ITA	Inversiones y Tecnicas Aeroportuarias S.A. de C.V.
JAA	Joint Aviation Authorities
LCC	Low cost carrier
MABSA	Macquarie Airports (Brussels) S.A.
MAC	Macquarie Airports Copenhagen Aps
MACH	Macquarie Airports Copenhagen Holdings Aps
MAESA2	Macquarie Airports (Europe) No. 2 S.A.
MAL	Macquarie Airports Limited
MAML	Macquarie Airports Management Limited
MAp or Macquarie Airports	Macquarie Airports, which is comprised of the following stapled entities MAL, MAT1 and MAT2
MAT1	Macquarie Airports Trust (1)
MAT2	Macquarie Airports Trust (2)
MTOW	Maximum Take-Off Weight
MEIF3	Macquarie European Infrastructure Fund 3
MIIF	Macquarie International Infrastructure Fund
NIAL	NIAL Group Limited
Non-associated Security holders	The security holders of MAp, who are not associated with the Proposed Transaction
OTPP	Ontario Teachers Pension Plan
PAX	Passenger
PPP	Public private partnership
Proposed Transaction	MAp's conditional agreement for the sale of 34.74% of

Term	Meaning
	MABSA and 50.0% of MAESA2 to MEIF3, a related party
RoR	Rate of return
TBAC	The Brussels Airport Company
TICkETS	MAp's listed hybrid debt, referred to as Tradeable Interest bearing Convertible to Equity Trust Securities issued by Macquarie Airports Reset Exchange Securities Trust
US$	United States dollar

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THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT

PART 2 - FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged 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. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints 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 services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

Contacting Ernst & Young Transaction Advisory Services	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

Issue date: July 2008 (version 3)

CORPORATE DIRECTORY

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

Macquarie Airports Management Limited
Level 7, 1 Martin Place
Sydney NSW 2000

MAp Investor Relations
1800 181 895
+ 612 8232 9634 (if calling from outside Australia)

Directors of Responsible Entity

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

Macquarie Airports Limited

35 Crow Lane
East Broadway
Paget HM20
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

Registry

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

Macquarie Airports

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

MACQUARIE

Lodge your vote:

Online:
www.investorvote.com.au

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

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

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

For all enquiries call:

(within Australia) 1800 102 368
(outside Australia) +61 3 9415 4195

Proxy Form

Vote online or view the annual report, 24 hours a day, 7 days a week:
www.investorvote.com.au

- ☑ **Cast your proxy vote**
- ☑ **Access the annual report**
- ☑ **Review and update your securityholding**

Your secure access information is:

Control Number: 123456

SRN/HIN: I1234567890 **PIN:** 123456

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

For your vote to be effective it must be received by 11:00am (AEDT) Wednesday 15 October 2008

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 the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should 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 the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR JOHN 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 1234567890 IND

Proxy Form

Please mark ☒ to indicate your directions

XX

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Macquarie Airports Trust (1), Macquarie Airports Trust (2) and Macquarie Airports Limited 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 the Meeting, as my/our proxy to act generally at the 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 State Room, Hilton Sydney, 488 George Street, Sydney on Friday, 17 October 2008 at 11:00am (Sydney time) and at any adjournment of these meetings.

Important for Item 1 (MAL, MAT 1 & MAT 2): If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Item 1 (MAL, MAT 1 & MAT 2) 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 each Item 1 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 1. If you do not mark this box, and you have directed your proxy how to vote, the Chairman of the Meeting will not cast your vote on each Item 1 and your vote will not be counted in computing the required majority if a poll is called on each Item 1.

☐ I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, 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.

	For	Against	Abstain
MAT 1			
1 Sale Transaction with MEIF3	☐	☐	☐
2 Buy-back exceeding 10% of MAp securities in 12 months	☐	☐	☐
MAT 2			
1 Sale Transaction with MEIF3	☐	☐	☐
2 Buy-back exceeding 10% of MAp securities in 12 months	☐	☐	☐
MAL			
1 Sale Transaction with MEIF3	☐	☐	☐
2 Buy-back exceeding 10% of MAp securities in 12 months	☐	☐	☐

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 ___/___/___