

# Attachment 1 – Overview of the Preferred Bidder and Transaction Structure

## 1 Bidder Descriptions

### 1.1 Bidder Names

This binding tender submission (Binding Tender) is made by AMP Capital Investors Limited (AMP Capital), on behalf of its managed funds and clients, and Infrastructure Capital Group Limited (ICG), on behalf of its managed funds and clients, (together, the Consortium).

#### AMP Capital

<b>Interested party</b>	AMP Capital Investors Limited
<b>Country of incorporation/registration</b>	Australia
<b>Registration number</b>	ABN 59 001 777 591
<b>Registered address</b>	50 Bridge Street, Sydney, NSW 2000

#### Infrastructure Capital Group

<b>Interested party</b>	Infrastructure Capital Group Limited
<b>Country of incorporation/registration</b>	Australia
<b>Registration number</b>	ABN 85 094 815 513
<b>Registered address</b>	Level 15, 14 Martin Place, Sydney, NSW 2000

### 1.2 Brief Description of Bidder's Business and Operations

#### AMP Capital

AMP Capital has over A\$160.5 billion in funds under management across the world and is the investment management subsidiary of AMP Limited, an ASX listed company with a market capitalisation of over A\$17.7 billion. AMP Capital manages investments across major asset classes including equities, fixed interest, infrastructure, property, diversified funds and multi-manager funds.

AMP Capital is also 15% owned by Mitsubishi UFJ Trust and Banking, a subsidiary of the listed Mitsubishi UFJ Financial Group, Inc. which has a market capitalisation of over US\$98.4 billion and is the parent company of The Bank of Tokyo Mitsubishi UFJ, Ltd.

AMP Capital's infrastructure group manages more than A\$7.3 billion in infrastructure equity funds with access to ongoing commitments of capital from both pooled

wholesale diversified funds and separate account clients. AMP Capital has a proven and extensive track record of investment in airports including long-term ownership of Melbourne Airport and Launceston Airport in Australia, and Newcastle Airport in the United Kingdom.

In total, AMP Capital has raised approximately A\$4 billion in unlisted infrastructure equity and unlisted infrastructure debt over the last four years.

### **Infrastructure Capital Group**

ICG is a specialist independent infrastructure funds management firm. ICG is the manager of the Diversified Infrastructure Trust (DIT) and the Energy Infrastructure Trust (EIT) which have combined equity capital of over A\$1.4 billion across investments in the transport, power, commodity and social infrastructure sectors. DIT is the relevant trust that ICG is using for this bid.

Both DIT and EIT are open-ended trusts and the unit holders of which comprise some of Australia's largest institutional investors. ANZ Specialist Asset Management Limited (ANZ SAM), a wholly-owned subsidiary of Australia and New Zealand Banking Group Limited, is the trustee of both DIT and EIT.

ICG brings airport investment, management and advisory expertise. Staff members have previously been board members of Perth Airport, Northern Territory Airports, Queensland Airports Corporation and Federal Airports Corporation.

Staff have also worked on a number of financial advisory mandates encompassing acquisitions, disposals and raising of finance for Sydney, Melbourne, Brussels, Copenhagen, Wellington and all of the United Kingdom's largest airports.

ICG has a proven track record and capability in the ongoing ownership and management of infrastructure assets, having closed 23 infrastructure transactions. In particular, ICG has a strong track record and a significant presence in Western Australia with five operating assets under long term contracts with Western Australian Government entities. With 744MW of installed capacity, ICG is the largest independent power producer in the State.

Since 2007, ICG has operated, maintained and redeveloped the 83,500 seat ANZ Stadium under a long term lease with the New South Wales Government. Throughout this period, the customer experience and services have continually been improved to maintain a state of the art facility. Discussions are currently centred on a major upgrade of the Stadium, potentially totalling around \$400 million.

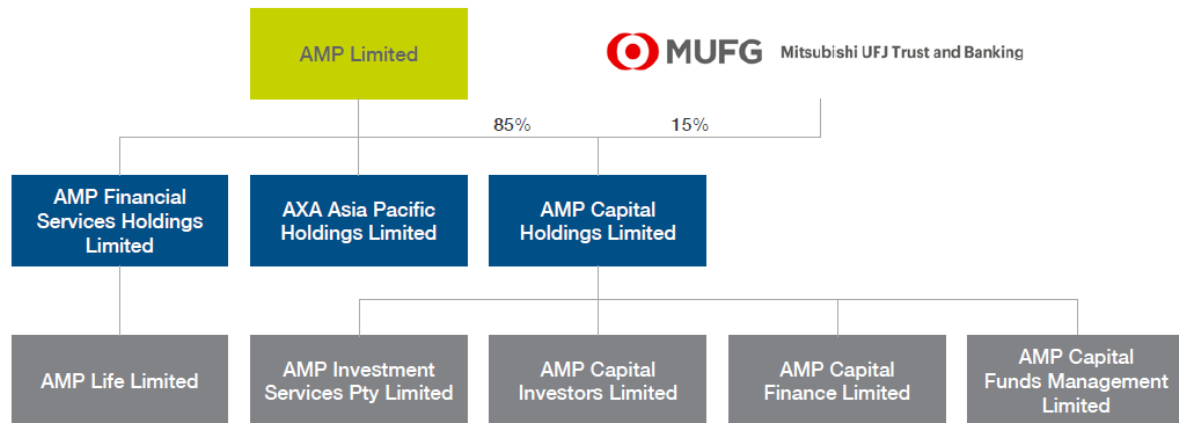
Furthermore, ICG is very familiar with investing in commodity linked infrastructure. This is highlighted by its investments in the Newcastle Coal Infrastructure Group, a 66 million tonnes per annum export facility at the world's busiest coal port. This facility has been operational since 2012. Since ICG's investment in this facility, around \$3 billion of capital has been invested to develop the terminal which was completed ahead of schedule and below budget.

## 2 Bidder Ownership Structure

### AMP Capital

Below is a simplified ownership structure of the relevant companies within AMP's group of companies.

Figure 1: AMP Capital simplified ownership structure



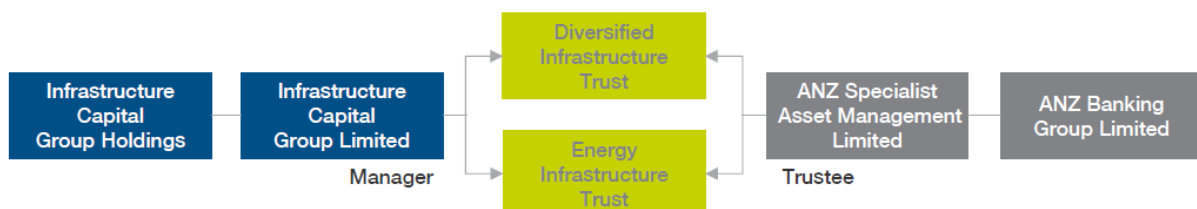
Source: AMP Capital

AMP Capital is submitting this Binding Tender on behalf of its managed investment funds:

- AMP Capital Infrastructure Equity Fund (IEF): an unlisted, open-ended fund launched in 1995; invests in diversified Australian and New Zealand core infrastructure assets; net asset value A\$775m at 31 July 2015, IEF's investors are largely Australian superannuation funds
- AMP Capital Core Infrastructure Fund (CIF): an unlisted, open-ended fund launched in 2007 with net asset value A\$196m at 31 July 2015, CIF is a retail managed investment scheme registered under ASIC.

### Infrastructure Capital Group

Below is a simplified diagram of the management, governance framework and fund structure



Source: Infrastructure Capital Group

ICG is submitting this Binding Tender on behalf of the Diversified Infrastructure Trust (DIT):

- DIT is a wholesale, unlisted unit trust established by the trustee ANZ SAM to invest in infrastructure assets since 2006. It currently has a net scheme value of \$426m at 31 July 2015. DIT is managed by ICG
- DIT has investments in a high quality, diversified portfolio of infrastructure assets, currently including ANZ Stadium, Newcastle Coal Infrastructure Group, Flinders Ports and a diversified portfolio of energy assets through units held in the Energy Infrastructure Trust (EIT)
- DIT's investors are predominantly Australian superannuation funds.

### **3 Consortium Offer**

This offer is made by the Consortium which is comprised of AMP Capital and ICG as described in Section 1.

#### **3.1 Consortium structure**

The Consortium members will hold the following respective ownership interests in the tender vehicle:

- AMP Capital – 50% comprising
  - AMP Infrastructure Equity Fund – 44%
  - AMP Capital Community Infrastructure Fund – 6%
- Infrastructure Capital Group – 50% comprising
  - Diversified Infrastructure Trust – 50%

The Consortium must not assign, sub-let, licence, grant security over (except as otherwise may be permitted under the Tripartite Deed) or otherwise deal with its interest in the Lease without the Town's prior written consent, which cannot be unreasonably withheld. Without limitation, it is reasonable for the Town to withhold its consent if an interest is being granted to a key user such as an airline, major aircraft operator or one of the major mining companies.

The Consortium structure is described in more detail in section 5 below.

#### **3.2 Purchase Price**

The Consortium's has offered a Binding Tender Base Lease Premium of A\$165 million on a cash free and debt free basis, being the gross proceeds to the Town.

It should be noted that the Base Lease Premium may be subject to an adjustment for movements in interest rates between the date the transaction is signed and the date of financial close.

The key features of this Binding Tender are as follows:

- **Firm Commitment:** The Base Lease Premium is supported by substantial due diligence undertaken by the Consortium to date, including a detailed assessment of the information provided by the Town up to the Data Room Cut-off Time
- **Fully Funded:** Access to significant equity and debt capital to complete the transaction, including strong relationships with the key lenders. The Consortium has secured binding letters of support from leading infrastructure debt financiers. The Consortium has also provided a binding equity commitment letter
- **Certainty:** A high degree of completion certainty with the Consortium having committed significant resources to the successful completion of the Lease. AMP Capital and ICG are recognised infrastructure investors with a long track record of successful acquisitions and management of high quality infrastructure assets
- **Alignment with Town Objectives:** The Consortium's strategy is to develop and grow the Airport, a vision that is closely aligned with the Town's objectives. The experienced ownership and asset management philosophy combined with the Consortium's long term investment horizon ensures that the Airport will be managed in a manner consistent with the Town's objectives.
- **Supporting Regional Infrastructure:** The Consortium has the experience, financial capacity and willingness to investigate opportunities to fund regional, trade-flow related infrastructure to support the Town's infrastructure objectives
- **Timely Completion:** AMP Capital and ICG are experienced infrastructure and airport investors which provides comfort to the Town that the Consortium has the ability to ensure timely completion of the Transaction should it ultimately be selected as the successful party.

### 3.3 Revenue Share

The Consortium and the Town have entered into a revenue sharing arrangement in addition to the base lease premium. The revenue share mechanism will work as follows:

- The Lessee will conduct an annual calculation. The calculation is to be based upon the rolling average of the last two years of the Airport's passenger numbers (Actual Passenger Numbers);
- This calculation will then be compared to the ACIL Allen Base Case passenger forecast that the Consortium has adopted for the relevant year;
- Where the Actual Passenger Numbers exceeds the ACIL Allen case, the Lessee will pay the Town \$4 for each passenger over and above the ACIL Allen forecast;

The revenue share will end once the Town has received total payments under this mechanism equal to \$10m.

### 3.4 Capital Works Program

The Consortium is committed to a \$40 million Capital Works Program, with its commitment demonstrated by the capital works debt facility procured. The funding for this program is fully committed with \$20m funding to be provided by a capital expenditure facility and Consortium member backed letters of credit for the remaining \$20m.

During the initial months following financial close, the Consortium will focus on transition, integration, planning and stakeholder engagement, including the delivery of an updated Master Plan within 24 months of completion that will outline our long term vision for the Airport's development and operation.

Under the Consortium's stewardship, the Airport will work collaboratively with the Town's appointed consultant to deliver the updated Master Plan in a timely manner, and consult regularly with the Town throughout the process.

The Consortium has committed to spend \$40 million on the Capital Works program in the first years after financial close.

## 4 Bidder Corporate Structure

### 4.1 Corporate Governance and decision making structure

#### AMP Capital

As detailed in section 1, AMP Capital is a subsidiary of AMP Limited and Mitsubishi UFJ Trust and Banking. The composition of the AMP Capital Board is summarised in the table below.

#### Board of Directors – AMP Capital

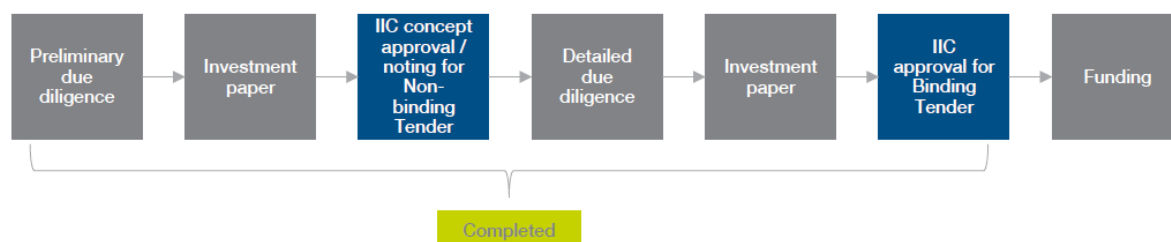
Brian Clark	Non-Executive Chairman
Grant Bailey	Non-Executive Director
Stephen Dunne	Managing Director
Craig Meller	Executive Director
John Palmer ONZM	Non-Executive Director
Akira Suzuki	Non-Executive Director

#### Senior Management – AMP Capital

Stephen Dunne	Managing Director
Margaret Payn	Chief Financial Officer
Boe Pahari	Global Head of Infrastructure Equity
Damian Stanley	Principal, Head of Global Airports Group
Yen Hui Tie	Head of Legal

The AMP Capital Infrastructure Investment Committee (IIC) and IEF Investment Committee (IEFIC) have been granted a delegated authority by the Board of AMP Limited to approve investments in this nature.

The following simplified flow chart illustrates the IIC investment approval process relevant to this Transaction.



Source: AMP Capital

AMP Capital has received all requisite internal approvals to proceed with this Binding Tender. The Chairman of each of the IEFIC and IIC is very supportive of this investment opportunity.

## Infrastructure Capital Group

As indicated in Section 1, ICG is a specialist independent infrastructure funds management firm.

### ICG Board of Directors

Andrew Pickering	Chairman
Tom Laidlaw	Managing Director
Mike Fitzpatrick	Non-Executive Director
John Clarke	Founding Director
Craig Whalen	Executive Director
Jeff Harding	Non-Executive Director

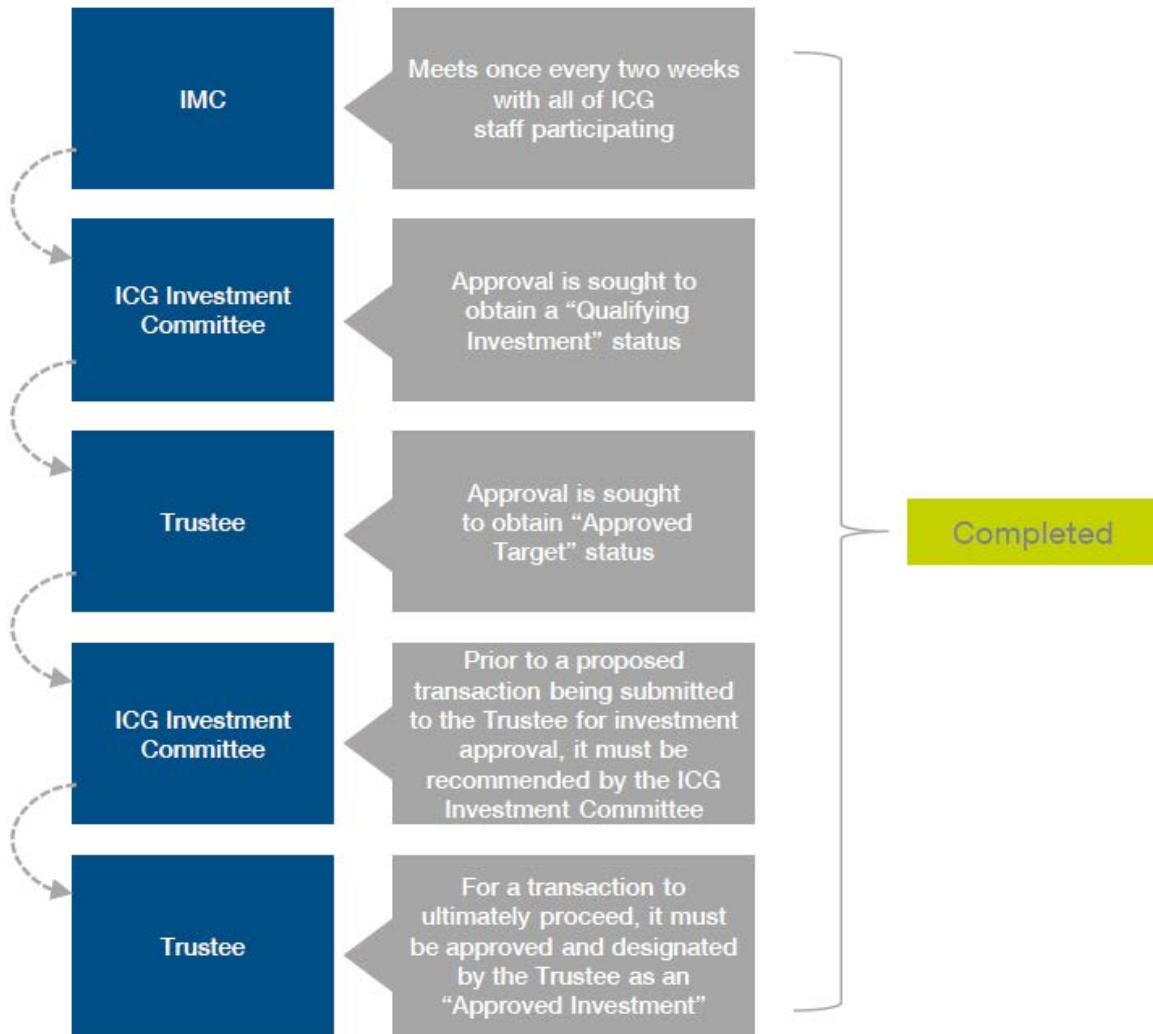
Detailed below are the key senior management that will be involved in the transaction.

### ICG Senior Management

Tom Laidlaw	Managing Director – DIT Portfolio Manager
Andrew Pickering	Chief Investment Officer & EIT Portfolio Manager
Mike Fitzpatrick	Non-Executive Director
John Clarke	Founding Director
Craig Whalen	Executive Director

The ICG's Investment Committee has approved the investment and recommended it to the Trustee of DIT as an "Approved Investment". The Investment Committee consists of key ICG decision makers Mike Fitzpatrick, Andrew Pickering, Tom Laidlaw, Craig Whalen and Jeff Harding. The transaction has subsequently been approved by the Trustee as an "Approved Investment". Now this final approval has been received, the transaction can proceed to financial close.

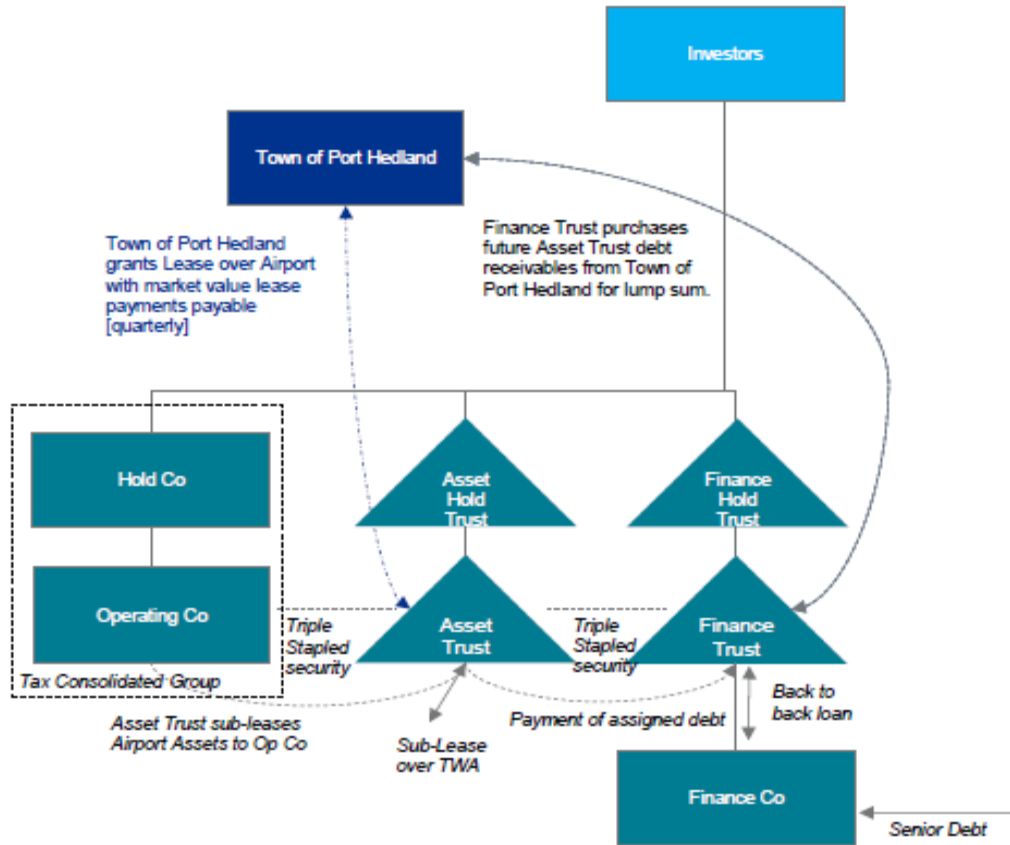
The following simplified flow chart illustrates the investment approval process relevant to this Transaction:





## 5 Structure of Acquisition Vehicles

The Consortium is proposing to acquire the Airport under the structure described below:



In summary:

- The Town would lease the whole airport site to an “Asset Trust” which is indirectly owned by some or all of the Investors (through an interposed “Asset Hold Trust”).
- The Asset Trust would sub-lease some of the airport site – ie the “core airport” part of it – to an “Operating Co” (through an interposed “Hold Co”). The Operating Co would be indirectly owned by some or all of the Investors.
- The Operating Co would be the actual operator of the airport. It would be the entity which dealt with airlines and airport users. Airport employees would be employed by this company.
- The Asset Trust would separately sub-lease other parts of the broader airport site to other users – eg the leases for the TWA’s and presumably any other future developments outside the “core airport” functions.
- The Investors (or some of them) would also indirectly own a “Finance Co” (through two layers of interposed trusts called “Finance Hold Trust” and “Finance Trust”), which is the entity which would borrow senior debt and on-lend it to the other entities in the group. We expect that the terms of finance would require all entities in the broader structure to grant security to the financiers.

The Consortium has also used a securitisation structure. That means that under the Lease, the Asset Trust will pay rent to the Town for the term of the Lease. The Town will sell this rental stream to the Finance Trust in return for payment by the Finance Trust to the Town of a purchase price equal to the value of that rental stream. Although the purchase price is paid on the day that the Lease is granted, the rent payments are assigned to the Finance Trust over the term of the Lease as they arise. The Town would have no further interest in the rental stream (and would not need to chase rental payments or take any other sites) – the Finance Trust would inherit all of these responsibilities. In other words, the Town would receive an agreed up-front payment but would not receive rental income over time. The purchase price paid to the Town is not refundable by the Town to the Finance Trust if the lease is terminated earlier than planned (even though the rental stream purchased would not be paid in that circumstance).

Securitisation structures are commonly used for State infrastructure developed under public private partnerships.

## **6 Operating Co and the Airport's Day To Operations**

### **6.1 Overview of Approach**

The Consortium intend to retain the existing organisational structure of the airport operations team and will make letters of offer to the existing airport employees prior to completion. The Consortium also intend to retain the role of General Manager and would like the opportunity to discuss potential employment arrangements with Brett Reiss at an appropriate time.

The Consortium believe that this arrangement and structure provides strong continuity in the business and minimises any disruption to the operations of the Airport. Following completion and the initial transition period, the Operating Co Board will discuss with the General Manager regarding the existing skills and capabilities within the business, the requirements of the business, and an appropriate and optimal organisational structure going forward.

### **6.2 Operating Co Board of Directors**

The airport operations team, led by the General Manager, will be governed by an experienced and professional Board of Directors with broad capabilities and expertise across airports, infrastructure and corporate governance. The Board will comprise four non-executive Directors and one independent Chair. The relevant experience of the proposed Directors are summarised below. The Consortium are in discussions with

highly experienced and qualified Western Australia based candidates for the role of Independent Chair and will inform the Town once this has been confirmed.

## Experience of Proposed Board of Directors of Operating Co

Michael Cummings



Michael is Head of Funds, Australia and New Zealand at AMP Capital, and the Fund Manager for AMP Capital's domestic "flagship" wholesale Infrastructure Equity Fund. He has over 25 years of international experience in the airports and infrastructure sectors and has held senior executive positions in a number of major energy infrastructure companies. He is a Director of Australia Pacific Airports Corporation (Melbourne and Launceston Airports) and Powerco New Zealand.

Prior to AMP Capital, Michael was the Chief Operating Officer (Energy) at Brookfield Infrastructure, responsible for the performance of a multi-billion-dollar global portfolio of energy and utility infrastructure assets in Australia, US, UK, and in NZ. This involved international governance roles as the Chair or Director on a number of company boards around the world, including NGPL (one of the largest US gas transmission companies), DBP, WestNet Rail and WA Gas Networks in Western Australia, the Tasmanian Gas Pipeline, and an energy utility in NZ. Prior to this, Michael was Chief Executive Officer, Gas Division for the leading listed energy infrastructure company in NZ, where he was responsible for all aspects of the company's gas business; including processing, transmission, distribution and sales.

He has gained significant international experience in the energy industry, having held several directorships, and senior leadership and management roles in a number of different regulatory regimes, since commencing his career with British Gas in 1990. Michael is a Graduate Member of the Australian Institute of Company Directors, and a member of the Institute of Directors NZ, as well as the Institution of Professional Engineers, NZ. He holds a Bachelor of Engineering (Hons) degree from the University of Edinburgh, and is a Graduate of the Strategic Leadership Programme at Millbrook, NZ.

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Sunny Yu



Sunny is Associate Director, Airports at AMP Capital with over 6 years of investment banking and finance experience in the aviation and infrastructure sectors. Sunny is responsible for asset management and origination within AMP Capital's Global Airports Group and is an Alternate Director of Australia Pacific Airports Company (Melbourne and Launceston Airports).

Prior to joining AMP Capital, he worked with Macquarie Capital in the infrastructure advisory team where his experience includes advising Sydney Airport on its aeronautical and terminal lease negotiations, and advising Sydney Airport and Perth Airport on their respective refinancing transactions and the development of their respective funding strategies. He also advised the Future Fund Board of Guardians on its offer and acquisition of the airport assets of ASX-listed Australian Infrastructure Fund. Sunny has specific experience across aeronautical airline agreement negotiations, capital planning and funding, business planning and airport valuations.

Sunny is a Graduate Member of the Australian Institute of Company Directors. He holds a Master of Finance, Bachelor of Laws and Bachelor of Engineering degrees, and is admitted as an Australian Lawyer in the Supreme Court of Victoria.

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## Experience of Proposed Board of Directors of Operating Co

John Clarke



John formed ICG as a joint venture with ANZ in November 2000. The company was then called ANZ Infrastructure Services (ANZIS). In August 2009 John and Mike Fitzpatrick acquired ANZ's shareholding in ANZIS.

Prior to that John was Managing Director of Morrison & Co (Australia) Pty Limited when it managed Infratil Australia Limited. John has a strong track record of successfully acquiring and managing infrastructure investments. Infratil Australia's assets included Perth International Airport, Northern Territory Airports, Port of Portland and Southern Hydro, many of which John was a director for. Prior to this, John was Chief Financial Officer of BellSouth New Zealand and also played a pivotal role in the deregulation of the New Zealand electricity market and at Power New Zealand was responsible for the listing of the company and mergers and acquisitions.

John is the Chairman of ANZ Stadium and Advocacy Services Australia Limited, and is also a director of Infrastructure Partnerships Australia and Infrastructure Capital Group.

Phil Baker



Phil has a 45 year career in aviation having worked for airlines, handling companies and airports around the world. He was Managing Director of Adelaide and Parafield Airports from 1998 to 2011 following the privatisation of Phase II Airports. He also has been the Managing Director of Coolangatta Airport. Phil has extensive experience in operating airports and has been involved in the planning processes for a number of airport upgrades and new constructions, including Stansted London (new Terminal), Gardermoen (new Oslo airport), Manchester (T2, T3, Superhub and T1 refurbishment) as well as the new terminal (T1) at Adelaide Airport (which was awarded Australian Airports Association (AAA) Capital City Airport of the Year in 2006, 2009 and 2011). He has also been involved in the production of Master Plans for Adelaide and Parafield Airports as well as several regional airports in South Australia.

Phil is currently the Chairman of the Adelaide Convention Bureau and a director of Flinders Ports and Renewal SA. He was previously director of Adelaide Airport Limited Group of Companies, Queensland Airport Limited Group of Companies, Tourism Task Force Limited and Australia British Chamber of Commerce (SA). In 2011, Phil was awarded Honorary Life Member AAA and a recipient of the Centenary Medal of Australia.

### 6.3 Key ICG / AMP management involved in the day to day operations of Operating Co

The airport asset management teams of AMP Capital and ICG will work closely with both the Operating Co Board and the Airport Operations team to provide specialist support across key value drivers and risk management including regulatory compliance, capital program management, retail, property and financing. This is a key feature of both AMP Capital and ICG's active asset management model and leverages expertise and experience across both organisations.

The core members of AMP Capital and ICG's asset management teams who will be responsible for the day to day asset management of Port Hedland International Airport working directly with the General Manager and operations team are:

- Sunny Yu, Associate Director, Airports, AMP Capital
- Chris Iemma, Associate, Airports, AMP Capital
- Tom Laidlaw, Managing Director, ICG
- Craig Whalen, Executive Director, ICG

- Daniel Beaver, Senior Manager, ICG

The core asset management team will be supported by broader specialist help from AMP Capital and ICG, across key areas of the business as and when required. Key members include:

- Damian Stanley, Principal and Head of Global Airports Group, AMP Capital
- Hywel Rees, Investment Director, Airports, AMP Capital
- Ben Green, Portfolio Manager, Debt Advisory, AMP Capital
- Ross Beames, Consultant, ICG
- Joyce Lai, Manager, ICG

Broader support is also available in the specialist areas of legal, tax, finance/accounting, property development and retail.