



## **ASX/Media Release**

### **MACQUARIE GROUP MAKES SOLID START TO 2009 FINANCIAL YEAR**

#### **Key points:**

- **Solid first quarter, all groups busy and operating profitably**
- **Businesses performing relatively well in more difficult market conditions**
- **Increasingly challenging to repeat last year's record performance**

**MELBOURNE, 23 July 2008** – Macquarie Group Limited (ASX:MQG) Managing Director and Chief Executive Officer, Nicholas Moore, said today Macquarie had made a solid start to the 2009 financial year despite difficult market conditions.

Speaking ahead of the Group's 2008 Annual General Meeting (AGM) in Melbourne, Mr Moore said all business groups were operating profitably but profit for the three months ended 30 June 2008 was lower than the record result achieved in the June quarter of 2007 when market conditions were very strong.

"Macquarie's businesses are performing relatively well despite market conditions deteriorating since this time last year," Mr Moore said.

During the latest quarter, good contributions were made by corporate finance and advisory, commodities related trading businesses, foreign exchange, and institutional and retail broking businesses, including equity derivatives. Macquarie's expanded capital base provided higher earnings, while remuneration expenses were lower.

## **Outlook for the current financial year**

Speaking about the Group's outlook, Mr Moore said market conditions continue to make short-term forecasting more difficult than usual. He said the current state of financial markets meant that repeating last year's record profit of \$A1.8 billion was becoming increasingly challenging.

Mr Moore said: "Over the medium term, we continue to be well placed due to effective risk management, committed quality staff, and the strength, diversification and global reach of our businesses. We also expect to benefit from recent organic growth initiatives, continued strong global investor demand for quality assets and a strong capital base."

Macquarie has no problem trading exposures and no material problem credit exposures. Mr Moore said Macquarie had consistently grown through the cycle and the Group's strong capital base positioned it well to take advantage of opportunities that emerge in the current environment.

Mr Moore said: "We are very well funded and this will support ongoing business and growth.

"Since August 2007, when credit markets were disrupted, we have increased liquid assets to over \$A20 billion. This is more than three times the level at 31 March 2007. We have \$A32 billion of capital and term funding to support growth in longer term assets and we have increased deposits since March 2007 from \$A8.5 billion to \$A15.5 billion. Term assets are more than covered by term liabilities and we have approximately \$A3.6 billion in excess regulatory capital."

## **Solid start to the current financial year**

In commenting on the Group's start to the 2009 financial year, Mr Moore noted the following highlights of the first quarter:

### Large advisory transactions:

- BrisConnections consortium awarded 45-year concession to construct, operate and finance Brisbane Airport Link toll road
- Adviser to BUPA on its \$A2.4 billion merger with MBF
- Takeover defence adviser to Dyno Nobel on the \$A3.8 billion acquisition of Dyno Nobel by Incitec Pivot
- Adviser to LS Cable Ltd, Korean-headquartered wire and cable manufacturer, on agreement to acquire US-based Superior Essex Inc for \$US1.2 billion

### New funds:

- Russian infrastructure fund established through a joint venture with Renaissance Capital
- Memorandum of Understanding signed for Indian infrastructure fund with State Bank of India
- Establishment of Macquarie Special Situations Fund, a global co-investment opportunity fund

- MGPA Fund III closed with commitments of \$US5.2 billion; two private equity real estate funds mandated to invest in Europe and Asia

Other fund initiatives:

- Macquarie Private Capital Group privatisation completed
- Macquarie Capital Alliance Group acquisition proposal by Macquarie Advanced Investment Group

Asset acquisitions and disposals:

- Sale of 100% interest in Longview Oil & Gas, a US-based oil and gas producer
- Macquarie and affiliates committed to acquire 65% interest in Express Energy Services, a US based oil and gas services provider
- Acquired majority holding in US fixed income funds management specialist, Allegiance Investment Management LLC

Mr Moore also noted the completion of a \$A600 million Convertible Preference Securities (CPS) issue as part of the Group's ongoing funding strategy.

### **Global market conditions**

Commenting on global market conditions, Mr Moore said that since August 2007, credit markets had been extremely difficult and the cost of funding had increased. In equity markets, volumes had dropped off from the very high levels of the second half of calendar 2007 and there had been a sharp decline in listed real estate markets globally.

"In addition, activity levels in mergers and acquisitions and equity capital markets have fallen in most parts of the world. However, the pipeline remains reasonable and there has been a good level of activity in Australia and, to a lesser extent, Asia," he said.

Mr Moore said economic growth in Australia should remain reasonable, supported by several strong fundamental factors such as ongoing growth in China.

### **Highlights from the Address of Macquarie Group Chairman, David Clarke, include:**

- The year to 31 March 2008 marked the 16<sup>th</sup> consecutive year of record profit for Macquarie. Profit of \$A1.8 billion, up 23% on the previous year, was a gratifying result given the challenging market conditions experienced in the second half of the year
- Despite market conditions, Macquarie's global platform has never been stronger

### **Very well positioned**

Mr Clarke said that while no financial institution is immune from the effect of adverse market conditions, Macquarie has performed well relative to its peers as it is diversified by business mix and geography, derives most of its income from the provision of products and services to clients, and is conservatively capitalised and well funded.

Mr Clarke said Macquarie has a long-term record of successful risk management, with no problem trading exposures and no material problem credit exposures. In addition, Macquarie is regulated by the Australian Prudential Regulation Authority as the holding company of an Australian bank.

“Our operations are subject to regulatory oversight by over 100 regulatory agencies around the world. We continually adapt to change and market downturns have typically created opportunities. We have performed well relative to our peers even in very tough market conditions,” he said.

### **Franking of future dividends**

Mr Clarke said that as an increasing proportion of Macquarie's income is derived offshore, a decreasing proportion is subject to Australian income tax.

“As we expect this trend to continue, the franking rate on future dividends is expected to fall to 80% for the interim dividend due to be paid in December,” Mr Clarke said.

Franking beyond the December 2008 dividend would depend on the future composition of income, but should the trend observed in the 2008 year continue, it was likely that franking levels would be further reduced.

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