



Macquarie Infrastructure Group

Aggregated Management Report For the Half Year Ended 31 December 2006

The aggregated management report should be read in conjunction with the interim financial report of Macquarie Infrastructure Group.

Macquarie Infrastructure Group (MIG) comprises Macquarie Infrastructure Trust (I) ARSN 092 863 780 (MIT(I)), Macquarie Infrastructure Trust (II) ARSN 092 863 548 (MIT(II)) and Macquarie Infrastructure Group International Limited ARBN 112 684 885 (MIGIL).

Macquarie Infrastructure Investment Management Limited ACN 072 609 271 (MIIML) is the responsible entity of MIT(I) and MIT(II). MIIML is a wholly owned subsidiary of Macquarie Bank Limited ACN 008 583 542.

Macquarie Investment Management (UK) Limited (MIM UK) registered number 3976881 is the adviser for MIGIL. MIMUK is a wholly owned subsidiary of MBL.

Investments in MIG are not deposits with or other liabilities of MBL, or any entity in the Macquarie Bank Group and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither MBL, nor any member of the Macquarie Bank Group, including MIIML and MIM UK, guarantees the performance of MIG, the repayment of capital or the payment of a particular rate of return on MIG stapled securities.

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in MIG, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

MIIML, as responsible entity of the trusts comprised by MIG and MIM UK as the adviser for MIGIL are entitled to fees for so acting. MBL and its related corporations (including MIIML and MIM UK) together with their officers and directors and officers and directors of MIGIL may hold stapled securities in MIG from time to time.

Aggregated financial statements combine the consolidated financial statements of MIT(I), MIT(II) and MIGIL (adjusted to Australian Accounting Standards), excluding the financial position and performance of the controlled entities Airport Motorway Group, Statewide Roads Limited, San Diego Expressway Limited Partnership and Midland Expressway Limited for the period ended 31 December 2006.

The accounting policies adopted in preparing this report are consistent with the full financial report except for the full application of AASB118: Revenue, AASB119: Employee Benefits, AASB121: The Effects of Changes in Foreign Exchange Rates, AASB127: Consolidated Accounts, AASB132: Financial Instruments: Disclosure and Presentation and AASB139: Financial Instruments: Recognition and Measurement. This aggregated management report has been derived from the interim financial report for the period ended 31 December 2006. The interim financial report and auditor's review report will be sent to security holders on request, free of charge. Please call Computershare Investor Services Pty Limited on 1800 000 982 and a copy will be forwarded to you.

The aggregated management report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of MIG as the interim financial report.

Aggregated Management Report

For the half year ended 31 December 2006

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Aggregated Management Report

For the half year ended 31 December 2006

Aggregated Income Statement

	6 months to 31 December 2006	6 months to 31 December 2005
	\$'000	\$'000
Income from continuing activities		
Revaluation of investments		
Stapled securities in Transurban Group	-	(17,805)
Shares in Transtoll Australia Pty Limited	(389)	1,783
Shares in Interlink Roads Pty Limited	-	23,607
Loans and options over Toll Road Investors Partnership II LP (Dulles Greenway)	45,018	13,205
Shares in Statewide Roads Limited	-	(7,707)
Shares in WestLink Motorway Group	(1,499)	115,853
Investment in San Diego Expressway Limited Partnership (South Bay Expressway)	19,369	8,245
Share in ITR Concession Company LLC (Indiana)	34,997	-
Investments in Macquarie Autoroutes de France SA and MAF Finance Sarl (APRR)	249,978	-
Shares in Skyway Concession Company Holdings LLC (Skyway)	46,235	99,176
Investment in 407 International Inc. (407ETR)	262,108	452,498
Investment in Midland Expressway Limited	(153,208)	98,435
Investment in Airport Motorway Group	-	17,688
Investment in Lusoponte Concessionária para a Travessia do Tejo SA (Lusoponte)	18,195	16,923
Foreign exchange effects of revaluations	(432,477)	264,595
	88,327	1,086,496
Income from investments		
Distribution and dividend income	1,085,321	42,476
Interest income	49,566	68,124
Loss on demerger of Sydney Roads Group	(53,756)	-
	1,081,131	110,600
Other revenue		
Foreign exchange gain	-	5,802
Management and secondment fees	503	466
Other income	-	1,942
	503	8,210
Total Income from ordinary activities	1,169,961	1,205,306
Expenses		
Responsible Entity's and Adviser's base fees	(40,211)	(48,244)
Employment costs	(3,216)	(223)
Borrowing costs expense	(38,704)	(20,229)
Consulting expense	-	(1,977)
Other operating expenses	(15,656)	(11,159)
Revaluation of Airport Motorway Trust (AMT) debenture	-	1,610
Foreign exchange loss	(43,509)	-
	(141,296)	(80,222)
Total operating expenses from ordinary activities	(141,296)	(80,222)
Net result from ordinary activities before income tax benefit	1,028,665	1,125,084
Income tax benefit	257,568	142,763
Net result from continuing activities after income tax benefit attributable to security holders of MIG	1,286,233	1,267,847

The above Aggregated Income Statement should be read in conjunction with the basis of preparation note

Aggregated Management Report

As at 31 December 2006

Aggregated Balance Sheet

	Note	As at 31 December 2006 \$'000	As at 30 June 2006 \$'000
Current Assets			
Cash and cash equivalents		2,163,417	785,175
Receivables		19,804	91,776
Prepayments		9,424	4,671
Other		-	3,407
Total Current Assets		2,192,645	885,029
Non-Current Assets			
Investments in financial assets	2	8,336,871	10,487,190
Other		19,410	386
Total Non-Current Assets		8,356,281	10,487,576
Total Assets		10,548,926	11,372,605
Current Liabilities			
Interest-bearing financial liabilities		-	230,000
Payables		30,968	39,868
Distribution payable		261,595	272,306
Current tax liabilities		221	300
Total Current Liabilities		292,784	542,474
Non-Current Liabilities			
Interest-bearing financial liabilities		-	765,000
Deferred tax liabilities		141,494	419,775
Other		42	-
Total Non-Current Liabilities		141,536	1,184,775
Total Liabilities		434,320	1,727,249
Net Assets		10,114,606	9,645,356
Equity			
MIG Security Holders' Interest			
Contributed equity		4,321,201	4,770,027
Retained profits	3	5,793,405	4,875,329
Total MIG Security Holders' Interest		10,114,606	9,645,356
Total Equity		10,114,606	9,645,356

The above Aggregated Balance Sheet should be read in conjunction with the basis of preparation note

Aggregated Management Report

For the half year ended 31 December 2006

Aggregated Cash Flow Statement

	6 months to 31 December 2006 \$'000	6 months to 31 December 2005 \$'000
Cash flow from operating activities		
Interest received	45,699	64,785
Management and secondment fees received	-	75
Indirect taxes received	1,239	16,816
Payments to suppliers and employees (inclusive of GST)	(23,039)	(10,749)
Responsible Entity and Advisor base fees paid	(48,544)	(36,024)
Responsible Entity and Advisor performance fees paid	-	(9,465)
Distributions and dividends received	1,087,783	56,322
Income taxes paid	(24)	(18)
Other income received	3,261	28
Net cash flows from operating activities	1,066,375	81,770
Cash flows from investing activities		
Proceeds from repayments of interest bearing financial assets	-	2,810
Proceeds from demerger of Sydney Roads Group, net of cash disposed.	108,119	-
Proceeds from sale of assets to MIP	987,549	-
Proceeds from return of capital from Dulles	1,104	-
Proceeds from return of capital from Skyway	-	221,729
Payments for purchase of investments, net of cash acquired	(34,648)	(869,792)
Loans repaid by/advanced to investments	(52,654)	-
Net cash flows from investing activities	1,009,470	(645,253)
Cash flows from financing activities		
External borrowing drawn down	270,000	-
External borrowing repaid	(500,000)	-
Borrowing costs paid	(5,662)	(5,326)
Loan to related entity	(15,745)	-
Distributions paid	(272,161)	(297,672)
DRP proceeds received	147,462	71,994
Proceeds from issue of securities	-	778,453
Costs of raising capital	331	(7,473)
On market buyback	(271,628)	-
Net cash flows from financing activities	(647,403)	539,976
Net increase in cash assets held	1,428,442	(23,507)
Cash assets at the beginning of the year	785,175	1,082,268
Exchange rate movements	(50,200)	15,288
Cash assets at the end of the year	2,163,417	1,074,049

The above Aggregated Cash Flow Statement should be read in conjunction with the basis of preparation note

Aggregated Management Report

For the half year ended 31 December 2006

Notes to the Aggregated Management Report

1 Summary of Significant Accounting Policies

(a) Aggregated Accounts

The units of Macquarie Infrastructure Trust (I) (MIT(I)), the units of Macquarie Infrastructure Trust (II) (MIT(II)) and the shares of Macquarie Infrastructure Group International Limited (MIGIL or the Company) are combined and issued as stapled securities in Macquarie Infrastructure Group (MIG). The units of the Trusts and shares of the Company cannot be traded separately and can only be traded as stapled securities. None of the entities has acquired or controls the others.

This management report has been prepared as a set of aggregated financial statements combining the consolidated financial statements of MIT(I), MIT(II) and MIGIL (adjusted to Australian Accounting Standards) and excluding the financial position and performance of the controlled entities Midland Expressway Limited (MEL), Eastern Distributor (ED) and Statewide Roads (M4) (for the period prior to the demerger of the Sydney Roads Group) and South Bay Expressway and Dulles Greenway (Dulles) (prior to loss of control).

This management report should be read in conjunction with the Interim Financial Reports of MIT(I), MIT(II), MIGIL.

(b) Basis of Preparation

This management report does not, and cannot be expected to, provide as full an understanding of the Income Statement, Balance Sheet and financing and investing activities of MIG as the Interim Financial Report. The accounting policies adopted in preparing this report are consistent with the Interim Financial Report except for the full application of AASB118: Revenue, AASB119: Employee Benefits, AASB121: The Effects of Changes in Foreign Exchange Rates, AASB127: Consolidated and Separate Financial Statements, AASB132: Financial Instruments: Disclosure and Presentation and AASB139: Financial Instruments: Recognition and Measurement. As a result of the non-application of AASB127 in relation to MEL and, prior to demerger/part divestment, the ED, M4, South Bay Expressway and Dulles, the accounting policy adopted for all investments in this management report is:

Investments

Investments are revalued at each reporting date to their fair values. Changes in the fair values of investments (both positive and negative) have been recognised in investment revenue from continuing activities as shown in the Income Statement for the year.

Investments have been brought to account as follows:

— Interests in listed securities in companies and trusts

Listed interests in companies and trusts are brought to account at fair value, after deducting selling costs and allowing for any specific risks or circumstances such as liquidity risk, credit risk, or escrow periods. Dividends and other distributions are recognised in the Income Statement when receivable.

— Interests in unlisted securities in companies and trusts

Unlisted interests in companies and trusts are brought to account at the directors' estimates of fair value determined in accordance with either a discounted cash flow analysis, option pricing model, or by reference to the current market value of substantially similar interests, as appropriate. Dividends and other distributions are recognised in the Income Statement when receivable.

— Interests in financial assets

Interest in interest bearing public and other debt securities are brought to account at fair value. Adjustments to the fair value of public and other debt securities are recognised in the Income Statement. Other interest bearing financial assets are accounted for on an accruals basis.

Investment acquisition costs are capitalised into the value of the investment at the time of purchase. Additions and other expenditure on investments which are capital in nature are capitalised as incurred.

(c) Review

This report was prepared for Macquarie Infrastructure Investment Management Limited, the responsible entity of MIT(I) and MIT(II) and has been subject to review by PricewaterhouseCoopers in accordance with the basis of preparation set out above.

Aggregated Management Report

For the half year ended 31 December 2006

2 Investments

	Balance at 30 June 2006 \$'000	Investments \$'000	Divestments/ Repayments \$'000	Foreign Exchange Effects \$'000	Revaluations \$'000	Balance at 31 December 2006 \$'000
Interests in unlisted securities in companies and trusts						
Shares in Sydney Roads Group Assets Note (i)	1,329,323	-	(1,329,323)	-	-	-
Shares in Transtoll Pty Limited Note (ii)	1,140	349	-	-	(389)	1,100
Investment in Westlink Note (iii)	665,967	34,300	-	-	(1,499)	698,768
Shares in Skyway Concession Company Holdings LLC (Skyway) Note (iv)	456,331	-	(227,904)	(24,990)	46,235	249,672
Shares in ITR Concession Company LLC (Indiana) Note (iv)	503,226	-	(253,115)	(26,844)	34,997	258,264
Investment in South Bay Expressway Note (iv)	185,655	53,154	(62,134)	(10,700)	19,369	185,344
Investment in Dulles Greenway Note (iv)	904,071	-	(453,973)	(49,557)	45,018	445,559
Investment in 407ETR	2,960,062	-	-	(286,625)	262,108	2,935,545
Investment in Midland Expressway Limited Note (v)	2,721,309	-	-	(5,905)	(153,208)	2,562,196
Shares in Lusoponte	234,697	-	-	(6,582)	18,195	246,310
Investments in Macquarie Autoroutes de France SA and MAF Finance Sarl (APRR)	525,409	-	-	(21,274)	249,978	754,113
	10,487,190	87,803	(2,326,449)	(432,477)	520,804	8,336,871
Total investments	10,487,190	87,803	(2,326,449)	(432,477)	520,804	8,336,871

Notes

(i) Demerger of mature Australian toll road assets

On 1 August 2006, MIG demerged its interests in the Eastern Distributor, M5 South-West Motorway and M4 Motorway. MIG's interests in the three roads were transferred to the newly established Sydney Roads Group (SRG). The demerger was effected through an in specie distribution to MIG security holders of one SRG stapled security for every three MIG stapled securities and an IPO of SRG to raise A\$125.0 million of new capital.

In consideration for the transfer of its mature Australian toll road assets to SRG, MIG received 825 million SRG securities and A\$125.0 million in cash. As a result of the demerger, MIG has divested its interests in the Airport Motorway Group and the funding trust associated with the securitisation of its cashflows, and Interlink Roads Pty Limited, Statewide Roads Limited and the funding trust associated with the securitisation of their cashflows as well as certain intermediate holding companies. Additionally SRG assumed A\$275.0 million debt held by the funding trusts associated with the securitisation of the cash flows of MIG's investment in these assets.

An advisory fee of A\$4.5 million was paid by the Group to Macquarie Bank Limited (MBL) and underwriting fees of A\$1.1 million were paid to both Macquarie Equity Capital Markets Limited (a subsidiary of MBL) and UBS in relation to the demerger transaction.

(ii) Transtoll Pty Limited

In July 2006, MIG acquired Transcore LP's 19.02% interest in Transtoll for US\$270,000 (A\$348,624).

(iii) Westlink M7

On 24 August 2006, MIG through a subsidiary company of MIT(I) completed the acquisition of a further 2.5% interest in Westlink M7 for \$34.3 million.

Aggregated Management Report

For the half year ended 31 December 2006

2 Investments (cont'd)

(iv) Transaction with Macquarie Infrastructure Partners (MIP)

On 24 August 2006 MIG announced it had entered into an agreement to sell 50% of its interests in its four US assets, being the Dulles Greenway, Indiana Toll Road, Skyway and South Bay Expressway to MIP, subject to conditions precedent. This included security holder approval, which was obtained at the MIG AGM held on 27 November 2006. MIG and MIP reached financial close on the transaction on 15 December 2006.

Total proceeds are US\$824.6 million (A\$1.06 billion), comprising US\$771.9 million (A\$987.8 million) cash on financial close, US\$7.1 million (A\$9.1 million) of deferred cash consideration and US\$45.7 million (A\$58.5 million) being the present value of future equity contributions to South Bay Expressway that MIP will make on MIG's behalf

(v) Midland Expressway Limited (M6 Toll)

MIG's total interest in the M6 Toll in 2005 comprised shares and a loan. Accordingly, MIG's total interest in M6 Toll is valued as follows:

	As at 31 Dec 2006 \$'000	As at 30 June 2006 \$'000
M6 Toll		
Shares in M6 Toll	2,562,196	2,358,997
Loan to M6 Toll	-	362,312
Total interest in M6 Toll	2,562,196	2,721,309

3 Retained Profits

	As at 31 Dec 2006 \$'000	As at 30 June 2006 \$'000
Balance at the beginning of the period	4,875,329	3,497,141
Net result attributable to security holders of MIG	1,286,233	1,891,044
Transfer from contributed equity	-	-
Distributions paid and proposed	(368,157)	(512,856)
Balance at the end of the period	5,793,405	4,875,329

4 Asset Backing per Stapled Security

	As at 31 Dec 2006 \$	As at 30 June 2006 \$
Net asset backing of each stapled security as per aggregated management report		
Net asset backing of each stapled security before deferred tax balances	3.92	4.06
Net asset backing of each stapled security before deferred tax balances (excluding SRG)	3.92	3.66
Net asset backing of each stapled security after deferred tax balances	3.87	3.90
	'000	'000
Number of stapled securities on issue	2,615,951	2,475,499