



MACQUARIE

Macquarie Infrastructure Group

Management Information Report

**For the quarter ended
31 December 2006**

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 (MBL).

Macquarie Investment Management (UK) Limited (MIM UK) registered number 3976881 is the adviser of MIGIL. MIM UK 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 of 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.

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1. Overview of MIG

Assets

Macquarie Infrastructure Group (MIG) is a global investor in toll roads. At 31 December 2006 MIG's portfolio of toll road assets and percentage ownership interest are set out below.

MIG's Toll Road Asset Portfolio

Asset	% Interest		Currency
	31 December 2006	31 December 2005	
407 ETR	30.0	30.0	CAD
M6 Toll	100.0	100.0	GBP
Skyway	22.5	45.0	USD
Dulles Greenway	50.0	100.0	USD
South Bay Expressway	50.0	100.0	USD
Indiana Toll Road	25.0	-	USD
Eiffarie (APRR)	20.4	-	EUR
Tagus River Crossings	30.6	30.6	EUR
Warnow Tunnel	70.0	70.0	EUR
Westlink M7	47.5	45.0	AUD
Eastern Distributor	-	71.4	AUD
M5 Motorway	-	50.0	AUD
M4 Motorway	-	50.6	AUD

2. Basis of Preparation

The reported proportionally consolidated EBITDA measures MIG's operating result before application of non-cash items such as interest, income tax, depreciation and amortisation. In essence the EBITDA indicates the operating cash generated by MIG as a business.

Proportional consolidation

Proportional consolidation involves an aggregation of the results of MIG's toll road assets in the proportion held. Proportion held is determined on an economic interest basis and does not take into account control considerations, unlike MIG's consolidated Financial Report. Only assets in which MIG has management involvement are proportionally consolidated.

Actual versus pro forma

The 'actual' approach to proportional consolidation takes into account MIG's proportionate ownership of an asset throughout the reporting period. Where MIG's ownership of an asset changes during a reporting period, or when an asset is acquired or disposed, that asset's results for the period are included on a time-weighted ownership basis.

Under the 'pro forma' approach, MIG aggregates the results of its assets for both current period and prior corresponding period (pcp) based on its proportionate ownership as at the end of the current period. This therefore reflects the period-on-period performance of MIG's current portfolio.

In presenting this information, certain pro rata adjustments have been made under the 'actual' approach.

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2. Basis of Preparation (cont'd)

Specifically,

- The divestment of 50% of MIG's interests in its four US roads: Dulles Greenway, Chicago Skyway, Indiana Toll Road and South Bay Expressway, has been reflected at the date of divestment, 15 December 2006. Up to 14 December 2006, the results of the four roads have been reported at MIG's pre-divestment proportionate ownerships.
- Results of the Eastern Distributor, M5 Motorway and M4 Motorway have been included up to 31 July 2006, when these assets were demerged from MIG and into Sydney Roads Group (SRG).
- MIG's additional 2.5% interest in Westlink M7, bringing MIG's total interest in that asset to 47.5%, has been reflected in the asset's actual results from 28 September 2006.
- Results of Autoroutes Paris-Rhin-Rhône (APRR) have been pro rated based on MIG's two-step investment in that asset in February and April 2006.
- Pcp actual EBITDA, cash interest and tax paid numbers for Dulles Greenway have been pro rated based on MIG's September 2005 two-step investment in that asset.
- The results of the Indiana Toll Road, in which MIG acquired a 50.0% interest on 29 June 2006, have been reflected in the current period.

Interest and tax paid

Interest and tax amounts are shown net, and reflect actual cash paid/received. Interest includes refinancing costs and distributions on preference shares.

Corporate interest and expenses

Corporate interest and expenses are presented separately from underlying toll road asset performance. Net corporate interest reflects interest received on cash balances less interest paid on corporate facilities. Corporate expenses include management fees, performance fees (even when the Responsible Entity elects to reinvest its entitlement in scrip) and other expenses incurred in running the business such as registry and custodian fees.

The results of Transtoll, in which MIG has a total interest of 59.5% (61.0% pcp), have been included, below 'EBITDA from assets', in the 'corporate net expense' line in the tables presented overleaf.

Net debt

Net debt, being total debt less cash balances, is reported at both asset and corporate level. Included in cash balances are restricted cash holdings.

Where the profile of a debt instrument is either amortising or accretive, no adjustment is made to the principal balance presented at reporting dates which fall between specified interest capitalisation or debt amortisation dates. Therefore net debt represents principal amounts inclusive of capitalised interest only unless otherwise stated below.

Where interest rate swaps are structured to mirror a series of capital accretion bonds (e.g. Skyway), a calculation of the notional principal outstanding on these bonds is undertaken. This notional principal is incorporated in net debt consistent with the treatment above.

Net debt in relation to Real Return Bonds reflects the present value of expected future cash flows on the bonds discounted at the internal rate of return. This is as recorded in the financial statements of 407 ETR.

Where interest rate swaps have been structured to defer the payment of interest until later years of an asset life (e.g. M6 Toll and Indiana Toll Road), an effective interest rate for the swap is calculated. An interest accrual is included within net debt, reflecting the difference between the cumulative interest charge using this effective interest rate and the fixed payments made to date under the interest rate swap.

Reset Convertible Notes (ReCNs), associated with MIG's investment in Westlink M7, are presented as a separate line item. On 15 November 2006, all ReCN liabilities were extinguished and fully converted into MIG stapled securities by the ReCNs holder Ontario Teachers' Pension Plan Board (OTPP).

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2. Basis of Preparation (cont'd)

Foreign exchange impact

The impact of foreign exchange on MIG's toll road asset portfolio is considered. The 'ex FX' column recalculates the percentage change in operating revenue and EBITDA from MIG's toll road assets on the basis of normalised exchange rates using prior period as the base. The result illustrates the underlying performance of MIG's assets in their home currencies. MIG reports in AUD but has invested in EUR, USD, GBP and CAD toll road assets and has exposure to those currencies. MIG's policy is not to hedge the income streams from assets located outside Australia. However, forward commitments in foreign currencies are hedged.

Accounting policies

This report is an aggregation of respective asset accounts prepared under local accounting standards (IFRS for APRR). Other than specified in this report no adjustments have been made.

The information contained in this report has been extracted from asset company audited financial statements where available, or from asset company management accounts which are periodically reconciled to audited financial statements. This report has been subject to review by PricewaterhouseCoopers in accordance with the basis of preparation set out above. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards.

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3. MIG: Proportionally Consolidated EBITDA – December 2006

ACTUAL

MIG	Current Quarter					6 months YTD				
	AUD m				ex FX	AUD m				ex FX
	current	pcp	change	%	%	current	pcp	change	%	%
Traffic % change				85.3%	85.3%				105.8%	105.8%
Operating revenue	286.4	140.0	146.4	104.6%	103.4%	620.6	272.6	348.0	127.6%	125.0%
Operating expenses	(94.0)	(34.6)	(59.4)	171.7%		(174.3)	(60.2)	(114.1)	189.5%	
EBITDA from assets	192.4	105.4	87.0	82.5%	81.2%	446.2	212.4	233.8	110.1%	107.4%
Corporate net expenses	(34.1)	(35.1)	1.0	(2.8%)		(57.3)	(60.9)	3.6	(5.9%)	
EBITDA	158.3	70.4	88.0	125.0%		388.9	151.5	237.5	156.8%	
Net asset interest paid	(150.2)	(66.6)	(83.6)	125.6%		(251.9)	(122.9)	(129.0)	105.0%	
Net corporate interest received	22.3	9.0	13.3	146.6%		34.3	21.3	13.0	60.9%	
Net tax paid	(16.7)	(5.4)	(11.3)	210.9%		(30.7)	(9.6)	(21.2)	221.6%	
Asset net debt	10,524.7	6,408.4	4,116.3	64.2%		10,524.7	6,408.4	4,116.3	64.2%	
Corporate net debt	(2,163.7)	(1,073.8)	(1,089.9)	101.5%		(2,163.7)	(1,073.8)	(1,089.9)	101.5%	
Reset Convertible Notes (ReCNs)	-	471.5	(471.5)	(100.0%)		-	471.5	(471.5)	(100.0%)	
Total net debt	8,361.0	5,806.1	2,554.9	44.0%		8,361.0	5,806.1	2,554.9	44.0%	

PRO FORMA

MIG	Current Quarter					6 months YTD				
	AUD m				ex FX	AUD m				ex FX
	current	pcp	change	%	%	current	pcp	change	%	%
Traffic % change				11.7%	11.7%				9.8%	9.8%
Operating revenue	266.6	217.7	48.9	22.4%	19.5%	561.5	464.5	97.0	20.9%	17.0%
Operating expenses	(88.3)	(89.2)	0.9	(1.0%)		(160.3)	(152.9)	(7.4)	4.8%	
EBITDA from assets	178.3	128.5	49.8	38.7%	35.9%	401.1	311.6	89.6	28.7%	24.9%
Corporate net expenses	(34.1)	(35.1)	1.0	(2.8%)		(57.3)	(60.9)	3.6	(5.9%)	
EBITDA	144.2	93.5	50.7	54.3%		343.8	250.6	93.2	37.2%	
Net asset interest paid	(133.7)	(93.4)	(40.3)	43.1%		(259.9)	(151.0)	(108.9)	72.1%	
Net corporate interest received	22.3	9.0	13.3	146.6%		34.3	21.3	13.0	60.9%	
Net tax paid	(16.7)	(23.0)	6.3	(27.3%)		(25.9)	(31.6)	5.8	(18.2%)	
Asset net debt	10,524.7	6,483.9	4,040.8	62.3%		10,524.7	6,483.9	4,040.8	62.3%	
Corporate net debt	(2,163.7)	(1,073.8)	(1,089.9)	101.5%		(2,163.7)	(1,073.8)	(1,089.9)	101.5%	
Reset Convertible Notes (ReCNs)	-	471.5	(471.5)	(100.0%)		-	471.5	(471.5)	(100.0%)	
Total net debt	8,361.0	5,881.5	2,479.5	42.2%		8,361.0	5,881.5	2,479.5	42.2%	

Unless otherwise stated, the following commentary refers to actual results. The term 'underlying' refers to pro forma results.

Summary

Traffic, revenue and EBITDA growth for the December 2006 quarter, when compared to pcp, has been dominated by the impacts of road acquisitions, a new road opening, the SRG demerger and the divestment of 50% of MIG's interests in its four US road assets to MIP.

- MIG's 20.4% effective interest in the French motorway network, Autoroutes Paris-Rhin-Rhône (APRR), acquired in February and April 2006, accounted for 90.0% of the overall increase in asset EBITDA.
- MIG's acquisition of 50% of the Indiana Toll Road (ITR) on 29 June 2006 has resulted in a 17.8% increase in asset EBITDA.
- On 15 January 2006, Westlink M7 in Sydney, Australia, was opened to tolled traffic after construction was completed 8 months ahead of schedule. At opening MIG had a 45.0% interest in this project. On 28 September 2006 MIG acquired an additional 2.5% interest in the asset. The opening of Westlink M7 has contributed a 13.8% increase in asset EBITDA.

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3. MIG: Proportionally Consolidated EBITDA – December 2006 (cont'd)

- MIG's interests in the Eastern Distributor, M4 Motorway and M5 Motorway were demerged and separately listed as Sydney Roads Group (SRG) on 31 July 2006. The demerger to SRG has an offsetting impact of 37.4% of the overall EBITDA increase.
- On 15 December 2006 MIG divested 50% of its interests in four US assets, being the Dulles Greenway, Indiana Toll Road, Skyway and South Bay Expressway to Macquarie Infrastructure Partners (MIP). This divestment resulted in a 3.7% decrease in asset EBITDA. For the purpose of this report, the divestment is referred to as the "50% divestment".

Traffic

MIG's weighted average traffic was up 85.3% for the December quarter. Underlying traffic for the quarter was up 11.7%. YTD actual and underlying traffics were up 105.8% and 9.8% respectively.

Growth in traffic was primarily associated with the acquisition of APRR, investment in the Indiana Toll Road, the opening of the Westlink M7 project and strong traffic growth on the M6 Toll.

Revenue

MIG revenue was up 104.6% for the quarter versus pcp. Underlying revenue was up 22.4%.

Foreign exchange movements had an overall positive impact on asset revenue, when compared with pcp, for both the quarter and YTD. Quarter-on-quarter, AUD has weakened against EUR and GBP and strengthened against CAD and USD. In contrast, AUD was stronger against EUR and GBP and weaker against CAD and USD on a YTD basis. Excluding currency impacts underlying operating revenue was up 17.0% YTD.

MIG experienced effective average toll growth (excluding currency effects) of 7.0% (5.0% real) for the December quarter. This growth is largely the result of increases in toll rates, but is also impacted by other factors including changes to the mix of vehicle types and trip patterns.

Operating expenses

Actual operating expenses for the quarter increased AUD59.4m (171.7%) against pcp. The opening of Westlink M7 and acquisitions of APRR and Indiana Toll Road have together lifted operating expenses by AUD69.9m. This increase was offset by the impact of the SRG demerger (AUD7.0m) and 50% divestment to MIP (AUD1.3m). YTD actual operating expenses increased AUD114.1m, primarily attributable to the acquisitions of APRR and Indiana Toll Road and opening of Westlink M7 (total AUD125.3m). This increase has been partially offset by the SRG demerger (AUD11.7m) and 50% divestment (AUD2.6m).

Underlying operating expenses increased AUD7.4m (4.8%), for YTD, as compared to pcp. This increase was referable mainly to Westlink M7 (AUD6.7m) and APRR (AUD2.0m), offset by operating expense reductions relating to M6 Toll (AUD2.0m) and Dulles Greenway (AUD1.0m).

Operating expenses have been adjusted for non cash items in the case of M6 Toll (Land fund expense), and Dulles Greenway (Easement expense), in aggregate AUD29.5m for YTD and AUD0.2m for the quarter.

EBITDA from assets

The EBITDA margin increase has been achieved through revenue growth and a number of cost control initiatives implemented across the MIG portfolio.

Underlying EBITDA margin increased to 66.9% for the quarter from 59.0% in the pcp. On a YTD basis underlying EBITDA from assets increased by 28.7%. Excluding the overall positive impact of foreign exchange movements, underlying EBITDA from assets was up 24.9% YTD.

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3. MIG: Proportionally Consolidated EBITDA – December 2006 (cont'd)

Corporate net expenses

The AUD1.0m decrease in corporate net expenses for the quarter was a net result of the decrease in management fee (AUD3.7m) and increase in expenditure associated with continuing activities and business development. The management fee was AUD8.1m less than pcp on a YTD basis, reflecting MIG's lower market capitalisation over this period and higher cash balances held (on which MIG pays no fee). Detail on the increased cash balance is provided in the net debt section below. YTD net corporate expenses decreased AUD3.6m.

Net interest and tax paid

Actual cash interest paid by assets increased AUD83.6m for the quarter compared to pcp. Again, this increase was largely attributable to APRR (AUD71.8m), Indiana Toll Road (AUD34.8m) and Westlink M7 (AUD9.2m) with no cash interest paid in pcp. Offsetting this was an AUD24.2m decrease in connection with the M6 Toll. From its refinance in August 2006 to 31 December 2006, M6 Toll has been paying interest on a monthly basis. Previously, interest payments were made semi-annually in June and December – this pattern will be resumed from 1 January 2007. The SRG demerger has resulted in a AUD3.9m decrease in cash interest paid.

YTD cash interest paid was AUD129.0m higher than pcp. The increase was largely attributable to APRR, Westlink M7, Indiana Toll Road and M6 Toll (relating to its refinance and swap break costs). This was offset by the absence of pcp refinancing costs in Skyway (AUD32.2m) and the SRG demerger (AUD22.3m).

The underlying 43.1% increase in cash interest paid for the quarter came from APRR and the Indiana Toll Road (as a result of a higher debt balances than pcp), and cash interest paid relating to Westlink M7, post commencement of operations in December 2005. Increase in cash interest paid was partly reversed by the aforementioned timing differential of interest payments for M6 Toll. Pro forma cash interest increased 72.1% for YTD.

Corporate net cash interest received increased AUD13.3m, for the quarter, as a result of a higher corporate cash balance. YTD corporate interest received was AUD13.0m higher than pcp. Included in YTD cash interest was an interest payment of AUD4.9m in connection with the AUD500m drawdown on standby facilities, which was not present in pcp. The facilities were repaid in full on 25 August 2006, with proceeds of the M6 Toll regearing.

Actual cash tax paid increased AUD11.3m (210.9%). The increase relates primarily to the acquisition of APRR (AUD16.5m), partially offset by the effect of the demerger to SRG (AUD4.9m). The YTD increase in cash tax, on a pro forma basis of 18.2%, was also referable to APRR.

Net debt

Actual asset net debt increased by AUD4,116.3m against pcp, resulting largely from the acquisition of APRR and the Indiana Toll Road (AUD4,721.5m). The regearing of the M6 Toll has contributed a further AUD1,106.5m to the increase. The demerger of SRG and the 50% divestment to MIP reduced net debt by AUD2,790.7m.

Increases in underlying net debt, at the asset level, came from APRR (AUD1,933.8m), M6 Toll (AUD1,106.5m) and Indiana Toll Road (AUD1,003.9m).

The reduction in corporate net debt represents an increase in cash balance of AUD1.1bn which was primarily due to the cash proceeds received from the 50% divestment in December 2006, refinance of M6 Toll in August 2006, asset distributions received and the returns made on short-term money market investments. Significant cash outflows during current YTD include the on-market buyback which commenced on 3 October 2006 (AUD271.5m), repayment of the drawn standby facility in August 2006 and the distribution paid in August 2006.

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4. MIG: Quarterly Traffic and Revenue – December 2006

	December Qtr			6 months to December 2006		
	2006	pcp	Growth	2006	pcp	Growth
407 ETR¹						
Av Daily Rev (CAD)	1,282,228	1,149,152	11.6%	1,301,837	1,215,516	7.1%
VKT (millions)	544	520	4.6%	1,118	1,089	2.7%
Av Workday Trips	368,875	351,898	4.8%	368,857	356,114	3.6%
Av Daily Trips	298,935	286,197	4.5%	299,317	291,134	2.8%
M6 Toll						
Av Daily Rev (GBP)	156,663	134,764	16.2%	162,628	138,208	17.7%
Av Workday Traffic	56,115	48,814	15.0%	57,204	49,014	16.7%
Av Non-workday Traffic	39,904	34,627	15.2%	43,226	37,327	15.8%
Av All day Traffic	51,005	44,342	15.0%	52,874	45,457	16.3%
APRR (Group)						
Toll Revenue (EURm)	393	358	9.8%	850	789	7.7%
LV (VKM millions)	3,691	3,566	3.5%	8,935	8,776	1.8%
HV (VKM millions)	882	859	2.7%	1,709	1,658	3.1%
Skyway						
Av Daily Rev (USD)	151,193	150,568	0.4%	158,120	160,165	(1.3%)
Av Workday Traffic	50,149	48,902	2.6%	51,718	52,076	(0.7%)
Av Non-workday Traffic	50,131	47,882	4.7%	54,542	53,562	1.8%
Av All day Traffic	50,144	48,580	3.2%	52,608	52,537	0.1%
Greenway						
Av Daily Rev (USD)	149,790	121,216	23.6%	149,938	123,625	21.3%
Av Workday Traffic	66,651	69,724	(4.4%)	66,767	71,006	(6.0%)
Av Non-workday Traffic	35,967	38,383	(6.3%)	35,470	38,091	(6.9%)
Av All day Traffic	56,979	59,845	(4.8%)	56,901	60,809	(6.4%)
Indiana Toll Road²						
Av Daily Rev (USD)	360,140	242,434	48.6%	385,265	258,294	49.2%
All Days - Ticket	24,773	24,350	1.7%	27,343	27,045	1.1%
All Days - Barrier	93,661	92,936	0.8%	100,047	101,755	(1.7%)
Westlink M7³						
Av Daily Rev	403,654	NA	NA	387,908	NA	NA
Av Workday Trips	115,556	NA	NA	111,271	NA	NA
Av Daily Trips	101,866	NA	NA	99,039	NA	NA
Av Daily Tolloed VKT	1,310,140	NA	NA	1,268,589	NA	NA
Av Daily Travelled VKT	1,592,454	NA	NA	1,538,222	NA	NA
Warnow						
Av All day Traffic	9,742	9,190	6.0%	10,412	9,470	9.9%
Lusoponte						
Av Northbound Vasco da Gama	31,386	30,883	1.6%	31,627	31,437	0.6%
Av Northbound 25th April	74,539	75,418	(1.2%)	78,935	79,840	(1.1%)

1. With regard to 407 ETR, note that average daily revenue is based on total revenues.

2. With regard to Indiana Toll Road, note that the ticket system is reported in terms of full-length equivalent trips, and the barrier system is reported in terms of total transactions.

3. With regard to Westlink M7, average daily revenue is inclusive of GST.