



**KPMG Corporate Finance (Aust) Pty Ltd**  
Australian Financial Services Licence No. 246901  
10 Shelley Street  
Sydney NSW 2000

P O Box H67  
Australia Square 1213  
Australia

ABN: 43 007 363 215  
Telephone: +61 2 9335 7000  
Facsimile: +61 2 9335 8021  
DX: 1056 Sydney  
[www.kpmg.com.au](http://www.kpmg.com.au)

**Independent Expert's Report and Financial Services Guide  
in relation to the sale of an interest in the US Tollroads  
to Macquarie Infrastructure Partners**





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P O Box H67  
Australia Square 1213  
Australia

ABN: 43 007 363 215  
Telephone: +61 2 9335 7000  
Facsimile: +61 2 9335 8021  
DX: 1056 Sydney  
www.kpmg.com.au

Board of Directors  
Macquarie Infrastructure Investment Management  
Limited as responsible entity for Macquarie  
Infrastructure Trust (I) and Macquarie Infrastructure  
Trust (II)  
1 Martin Place  
Sydney NSW 2000

Macquarie Infrastructure Group International  
Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08 Bermuda

20 October 2006

Dear Sirs

## **Independent expert report and Financial Services Guide**

### **1 Introduction**

On 24 August 2006, Macquarie Infrastructure Group International Limited (MIGIL) and Macquarie Infrastructure Investment Management Limited (MIIML), as responsible entity of Macquarie Infrastructure Trust I (MIT I) and Macquarie Infrastructure Trust II (MIT II) (MIGIL, MIT I and MIT II are collectively MIG), announced their intention to sell 50 percent of their stake in four toll roads located in the United States of America (US) to Macquarie Infrastructure Partners (MIP) (the Proposed Transaction). MIIML, MIGIL and the MIP General Partner (see Section 1.1) are associates of Macquarie Bank Limited (MBL).

The toll roads subject to the Proposed Transaction (Toll Roads) are: the Chicago Skyway, Indiana Toll Road, Dulles Greenway and South Bay Expressway. MIG's holdings in the Toll Roads represent approximately 22 percent of MIG's total portfolio based upon the 30 June 2006 asset valuation excluding the Sydney Roads Group (SRG) which was demerged in early July 2006. The interests to be sold to MIP therefore reflect 11 percent of MIG's total portfolio based upon the 30 June 2006 asset valuation. The consideration to be paid by MIP for the Toll Roads is the pro rata net asset value (NAV) as at 30 June 2006, rolled forward to financial close. The consideration will be reduced by 50 percent of any distributions received and increased by 50 percent of any contributions made between 30 June 2006 and financial close, after these amounts have been rolled forward to financial close at the respective internal rate of return (IRR) for each

project. This amount is estimated by MIG to approximate US\$825 million, or approximately A\$1.1 billion, assuming a 15 December 2006 financial close and will be paid primarily in cash to MIG with a small component paid to South Bay Expressway in satisfaction of MIG's obligation to invest equity to fund construction completion.

The Boards of MIG have requested that KPMG Corporate Finance (Aust) Pty Ltd (KPMG), provide an independent expert report (IER) in accordance with ASX Listing Rule 10.1, indicating whether, in our opinion, the Proposed Transaction is fair and reasonable to the security holders of MIG (the "Security holders") who are eligible to vote at the MIG Annual General Meeting (AGM) of Security holders to be held on 27 November 2006.

We note that our report will accompany the Notice of Meeting to be dated 30 October 2006 prepared by MIG for the Security holders. Details of the Proposed Transaction are set out more fully in the Notice of Meeting.

## **1.1 *Parties to the Proposed Transaction***

### *MIG*

MIG is a stapled security listed on the Official List of the Australian Stock Exchange Limited (ASX). Macquarie Investment Management (UK) Ltd (MIMUK) is the advisor to MIGIL. MIIML and MIMUK are wholly owned subsidiaries of MBL.

MIG's principal activity is the development and operation of toll roads throughout the world. MIG had a market capitalisation of approximately A\$7.3 billion at the close of trade on 23 August 2006, being the pre-announcement date.

### *MIP*

MIP is an unlisted infrastructure fund based in New York City. MIP is comprised of three limited partnerships:

- Macquarie Infrastructure Partners A, L.P. (MIPA) and Macquarie Infrastructure Partners B, L.P. (MIPB), both Delaware Limited Partnerships
- Macquarie Infrastructure Partners Canada, L.P. (MIP Canada), an Ontario Limited Partnership.

Macquarie Infrastructure Partners US GP LLC is the general partner of MIPA and MIPB and Macquarie Infrastructure Partners Canada GP Ltd is the general partner of MIP Canada (together the General Partner). Macquarie Infrastructure Partners Inc is the manager of MIP.

MIP was established in May 2006 to invest in infrastructure investments in the US and Canada.

## 2 Summary of opinion

### 2.1 Evaluation of the Proposed Transaction

In our opinion, having considered the overall implications of the Proposed Transaction, the Proposed Transaction is fair and reasonable to Security holders. In forming our opinion, we have considered a variety of issues which will have implications for the future operations of MIG, the advantages and disadvantages likely to result from the approval of the Proposed Transaction, as well as the consequences to the Security holders of not approving the Proposed Transaction.

However, in reviewing a related party transaction of this nature, there are a number of key issues which we consider will most influence a Security holder's decision to approve or not approve the Proposed Transaction, and our analysis has focused on these issues.

#### *The assets are being sold at a fair price*

Independent valuations of each of the Toll Roads, as at 15 December 2006, (the Valuation) have been undertaken by KPMG LLP, based in Canada (KPMG Canada). KPMG Canada's Valuation was provided to us to assist us in forming our opinion in this IER.

The consideration to be paid by MIP for the acquisition of 50 per cent of MIG's interest in the Toll Roads is consistent with the Valuation.

The additional issues we have considered to support our analysis of the above key issues are summarised below and discussed in more detail in the remainder of the report.

#### *Other advantages of the Proposed Transaction*

We have considered the following additional advantages which are likely to result from the approval of the Proposed Transaction:

- MIG will gain MIP as a 'preferred partner' for potential US investments. While MIG will retain the first right of refusal for US investment opportunities, the relationship may provide an improved platform for further development in the US, given MIP's ability to access domestic US funds and be seen as a domestic US investor.
- MIG and MIP share similar investment objectives and management styles, given they are both managed within MBL, which should assist the partnership.
- The assets are being sold at NAV, which enables MIG to 'prove up' the value of the Toll Roads and potentially reduce the trading discount to NAV.

***Other factors we have considered***

In our opinion there are a number of factors pertinent in assessing whether the Proposed Transaction is fair and reasonable which do not precisely fit into the concepts of advantages or disadvantages.

- There will be a reduction in the geographic diversification of the portfolio and a marginal reduction of the portfolio's weighted average risk premium, which may be an unwanted change to investors current portfolio risk profile.
- Distributions per security for financial year 2007 will not change.
- In the absence of the Special Buyback, longer term returns should not be affected as MIG would be expected to reinvest the proceeds from the Proposed Transaction in projects generating similar IRRs, (although we note there is no guarantee MIG would invest the proceeds in such a manner).
- Other than costs associated with implementing the Proposed Transaction, MIG's net asset backing per security should not be affected, excluding any impact resulting from either the buyback or the Special Buyback.
- A number of alternative strategies have been considered in order to participate in the future growth anticipated in the US toll road industry.
- The issue of a notice of meeting for the Proposed Transaction or the Special Buyback will entitle OTPP to exercise their ReCNs valued at A\$500 million (including accrued interest) or approximately 6 to 7 percent of MIG securities. OTPP would otherwise have been entitled to exercise their ReCNs in 2008.

***Implications if the Proposed Transaction does not proceed***

Should the non-associated Security holders not approve the Proposed Transaction, MIG's operations will remain unchanged. We note that either with or without the Proposed Transaction proceeding:

- MIG has reiterated its distribution guidance for the 2007 financial year of 20 cents per security in the Notice of Meeting
- MIG will continue to investigate toll road acquisition opportunities in markets in which it has an investment mandate
- MIG will incur costs associated with implementing the Proposed Transaction

- OTPP will still have the option to convert their ReCNs into securities in 2008 if they have not done so prior to the AGM.

If the Proposed Transaction does not proceed:

- MIG will not gain a US partner/investment vehicle through which funds for US acquisitions could be raised in the US market, meaning MIG's capital management flexibility may not be improved and any perceived opposition to foreign ownership of US infrastructure assets will not be negated. That is, MIG may be less successful with regard to US investment opportunities if not partnered with a US partner.
- MIP's agreement to enter into the Proposed Transaction indicates third party support for the NAV of the Toll Roads. However, support does not necessarily 'prove up' asset value and so if the Proposed Transaction does not proceed MIG's securities may fall from current trading levels.

## 2.2 *Other proposed resolutions*

MIG has proposed utilising a portion of the funds raised from the Proposed Transaction in a security buyback over and above the A\$500 million security buyback already implemented (Special Buyback). This remains subject to Security holder approval. The amount ultimately applied in the Special Buyback will also depend on the outcome of the proposal put forward to Ontario Teachers Pension Plan (OTPP) to redeem the A\$500 million (including accrued interest) of Reset Convertible Notes (ReCNs) that they currently hold. To the extent that MIG securities are trading at below 'fair value', the Special Buyback should have an accretive affect on MIG's security price.

If the Proposed Transaction does not proceed the security buyback will be limited to a maximum of A\$500 million, that is the proposed Special Buyback will not occur.

## 3 **General advice**

In forming our opinion, we have considered the interests of the Security holders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Security holders. It is not practical or possible to assess the implications of the Proposed Transaction on individual Security holders as their financial circumstances are not known.

The decision of the Security holders as to whether or not to accept the Proposed Transaction is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Security holders should therefore consider the appropriateness of our opinion before acting on it.

As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Security holders consult their financial adviser.

*Other*

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report.

All currency amounts in this report are denominated in Australian dollars (A\$) or United States dollars (US\$) unless otherwise stated.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully



Ian Jedlin  
Executive Director



Michael Jones  
Director

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## **FINANCIAL SERVICES GUIDE**

Dated 20 October 2006

### **KPMG Corporate Finance**

**KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215** (KPMG or we or us or our as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

### **Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (FSG). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted
- The services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 246901**
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

### **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Interests in managed investments schemes (excluding investor directed portfolio services)
- Securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement 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. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

### **General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

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

### **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither KPMG, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

### **Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

### **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### **Associations and relationships**

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). Our executive directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

### **Complaints resolution**

#### ***Internal complaints resolution 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 product advice. All complaints must be in writing, addressed to The Complaints Officer, KPMG Corporate Finance, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

#### ***Referral to External Dispute Resolution Proposed Scheme***

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited (**FICS**). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FICS are available at the FICS website [www.fics.asn.au](http://www.fics.asn.au) or by contacting them directly at: Financial Industry Complaints Service Limited, PO Box 579, Collins Street, West Melbourne VIC 8007 or Toll free: 1300 78 08 08 or by Facsimile: (03) 9621 2291

### **Contact details**

You may contact us at 10 Shelley Street, Sydney, NSW 2000 or by telephone (02) 9335 7000.

## 4 The Proposed Transaction

On 24 August 2006, MIG announced the Proposed Transaction. The key elements of the sale of the Toll Roads are summarised below:

- MIG will sell 50 percent of its interests in the Toll Roads to MIP for a total consideration of approximately US\$825 million, reflecting the pro rata NAV as at 30 June 2006 rolled forward to financial close<sup>1</sup>, which is assumed to be 15 December 2006. The consideration to be paid by MIP is reduced by 50 percent of any distributions received and increased by 50 percent of any contributions made between 30 June 2006 and financial close, after these amounts have been rolled forward to financial close at the respective IRR for each project.
- The consideration for the Proposed Transaction will be primarily paid in cash to MIG. The remainder will be paid to SBX in satisfaction of MIG's obligations to invest equity to fund construction completion
- MIP will be MIG's 'preferred partner' in regard to future US investment opportunities, although we note that MIG retains a first right of refusal for any future US investment opportunities.

In order for the interests in the Toll Roads to be sold, Security holders are required to approve the resolution as outlined in the Notice of Meeting.

## 5 Basis of assessment

### 5.1 Technical requirements

This IER has been prepared by KPMG to accompany the Notice of the Meeting to convene the MIG AGM on 27 November 2006 in accordance with Rule 10.1 of the ASX Listing Rules. The purpose of the AGM is, inter alia, to seek Security holder approval for the Proposed Transaction.

Listing Rule 10.1 states that where a company proposes to acquire a substantial asset from, or dispose of a substantial asset to, a related party, the company must obtain the prior approval of the non-associated security holders, or in the case of MIG, the Security holders. Listing Rule 10.1 describes a substantial asset as an asset that has a value, in the ASX's opinion, of at least 5 percent or more of the security holders funds in the entity as set out in the latest accounts of the company.

In this regard, the Boards of MIG have asked KPMG to prepare this report in accordance with the requirements of Listing Rules 10.1.

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<sup>1</sup> The announcement to the market on 24 August 2006 referred to the pro rata NAV at 30 June 2006 of US\$762 million.

### *Fair and Reasonable*

Listing Rule 10.10.2 states that the Notice of Meeting convening the meeting of Security holders for the purpose of approving the Proposed Transaction should be accompanied by a report from an independent qualified person:

*“The report must state whether the transaction is fair and reasonable to the holders of the entity’s ordinary securities whose votes are not allowed to be disregarded. Unless the opinion is that the transaction is fair and reasonable, the opinion must be displayed prominently in the notice of meeting and on the covering page of any accompanying documents”.*

There is no definition of the term “fair and reasonable” in the ASX Listing Rules. However, we note that the Proposed Transaction, and its approval by the Security holders, is similar to an acquisition required to be approved by security holders pursuant to section 611 of the Corporations Act (the Act). Although there is no specific requirement for MIG to comply with section 611 of the Act, it is common practice for an independent expert to approach a report pursuant to Listing Rule 10.1 in a similar manner to a report required under that section.

Australian Securities and Investments Commission (ASIC) Policy Statement 74 indicates the principles and matters that it expects a person preparing an independent experts’ report under Section 611 of the Act to consider. Paragraph 21 of Policy Statement 74 states that:

*“what is fair and reasonable for non-associated security holders should be judged in all the circumstances of the proposal. The report 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. Comparing the value of the securities to be acquired under the proposal and the value of the consideration to be paid is only one element of this assessment”.*

In the present circumstances, we have treated the concepts of fairness and reasonableness as a single opinion, that is, the Proposed Transaction either is or is not fair and reasonable. Accordingly, in our opinion, the fairness and reasonableness of the Proposed Transaction should be determined against the background of the specific and general implications of the Proposed Transaction, using ASIC Policy Statement 74 as a guideline. The Proposed Transaction will be fair and reasonable if the Security holders are generally at a greater advantage if it is executed, than if it is not. The Security holders will receive an advantage if the expected benefits outweigh any disadvantages that might result.

## **5.2 Factors considered in determining our opinion**

We have considered the following factors in determining whether the Proposed Transaction is fair and reasonable to the Security holders:

- The market value of the Toll Roads relative to the consideration to be paid

- The value and other benefits that will flow to all parties as a result of the Proposed Transaction
- Financial implications for MIG
- Impact on risk profile of MIG including the impact on diversification
- The consequences of not approving the Proposed Transaction
- Other advantages and disadvantages which may impact Security holders if the Proposed Transaction proceeds.

### **5.3** *Disclosure of information*

In preparing this IER, KPMG has had access to all financial information considered necessary in order to provide the opinion requested. In this report we have limited the disclosure of information to that which is regularly placed into the public domain by MIG, which we consider to be quite extensive. This approach has been adopted following a request by MIG and recognises the commercially sensitive and confidential nature of certain operational and financial information that has been supplied to us.

### **5.4** *Sources of information*

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report.

We note that an important part of the information base used in forming an opinion of the kind detailed above is comprised of the opinions and judgements of MIG. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

The statements and opinions expressed in this report are made in good faith and have been based on information available as at 20 October 2006 and that information is believed to be reliable and accurate. We have relied upon the information set out in Appendix 2 and have no reason to believe that any material factors have been withheld from us. The preparation of this report does not imply that KPMG or any of its affiliates have carried out any form of audit on the accounting or other records of MIG.

The information provided to KPMG included forecasts of MIG's business operations prepared by the management of MIG (MIG Models). Whilst KPMG has considered these forecasts in preparing this report, MIG remains responsible for all aspects of the forecast. Achievement of these forecasts is not warranted or guaranteed by KPMG or KPMG Canada. Forecast results are by their nature uncertain and are dependent on a number of future events that may impact on the forecasts being achieved and consequently cannot be guaranteed. Actual results may vary significantly from the forecasts considered for this IER. Any variations from forecast results may affect our opinion.

The opinions of KPMG are based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion.

## **6 The US toll road industry**

Private sector ownership in the US toll road industry is currently in its infancy. The toll road industry has been undergoing significant reform due to:

- Erosion of traditional funding sources
- Stretched fiscal balances of both the federal US government and the state governments
- Historical government under spending and ongoing organic maintenance requirements driving demand for infrastructure expenditure.

The above factors have led to a funding gap between the amount needed to maintain the highway system in the US and the public sector spending available so federal, state and local governments are increasingly looking to the private sector to fund infrastructure assets.

As a consequence, legislative changes are currently being made to accommodate public private partnerships (PPP). However, only 17 states in the US have implemented the legislative changes to enable PPP and to date there have been only six transactions involving private firms in the US toll road market.

## **7 Overview of assets to be acquired**

As previously stated, the Proposed Transaction incorporates interests in:

- Chicago Skyway
- Indiana Toll Road (ITR)
- Dulles Greenway
- South Bay Expressway (SBX).

We discuss the key characteristics of each of these toll roads in the following section. These characteristics have, generally, been extracted from the MIG Analyst Package 2006.

### **7.1 Chicago Skyway**

The key characteristics of the Chicago Skyway are detailed in the following table.

**Table 1: Chicago Skyway key characteristics**

Asset details	
Location	Chicago, Illinois
Length	12.5 km
Size	6 lanes (3 lanes/direction)
Opened to traffic	1959

Source: MIG Analyst Package 2006

The concession ownership structure is detailed in the following table.

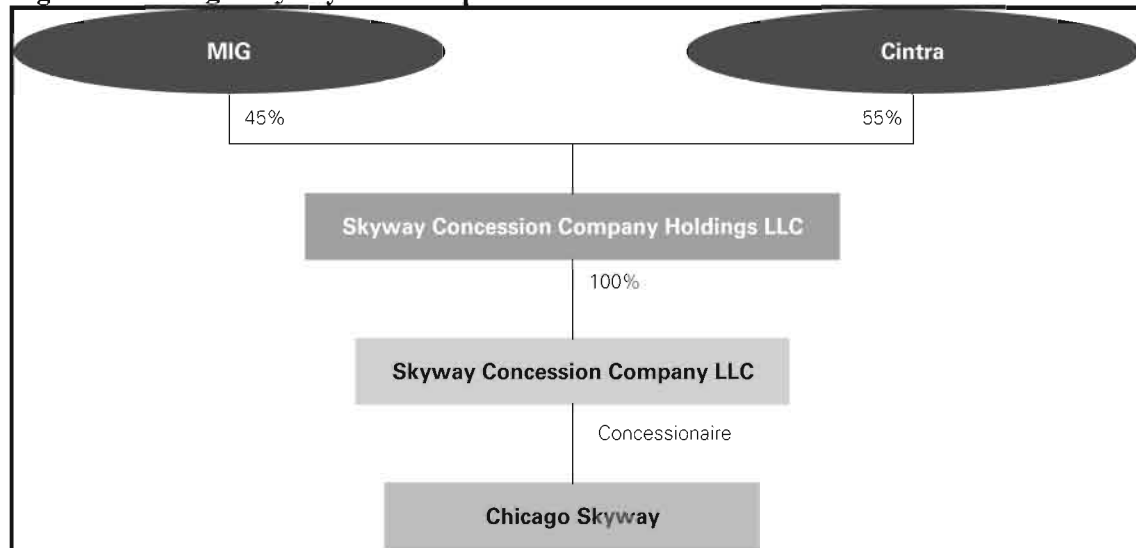
**Table 2: Chicago Skyway concession ownership**

Concession	
Ownership	MIG (45%), Cintra (55%)
Commencement date	24 January 2005
Term (remaining MIG concession)	97 years

Source: MIG Analyst Package 2006

Skyway Concession Company LLC was established by the MIG-Cintra concesiones de infraestructuras de transporte, SA (Cintra) consortium that successfully acquired the Chicago Skyway from the City of Chicago. Skyway Concession Company LLC is treated as a partnership for US tax purposes. The ownership structure can be seen in the figure below.

**Figure 1: Chicago Skyway ownership structure**



Source: MIG Analyst Package 2006

The traffic numbers and recent financial performance for the Chicago Skyway are detailed in the following table.

**Table 3: Chicago Skyway summary of performance**

Year ending 31 December	2003	2004	2005
<i>Traffic (ADT)</i>			
Cars	43,962	43,290	43,165
Trucks	3,770	4,797	5,257
<b>Total</b>	<b>47,732</b>	<b>48,087</b>	<b>48,422</b>
<b>Traffic growth</b>		<b>0.7%</b>	<b>0.7%</b>
<i>Financial (US\$m)</i>			
Toll revenue <sup>1</sup>	39.72	41.14	50.43
Other	0.05	0.05	0.05
<b>Total revenue</b>	<b>39.77</b>	<b>41.19</b>	<b>50.48</b>
Operating expenses	(11.42)	(12.21)	(11.69)
<b>EBITDA</b>	<b>28.35</b>	<b>28.98</b>	<b>38.79</b>
<b>EBITDA growth</b>		<b>2.2%</b>	<b>33.8%</b>
<b>EBITDA margin</b>	<b>71%</b>	<b>70%</b>	<b>77%</b>

Source: MIG Analyst Package 2006

Note: ADT – Average Daily Traffic; EBITDA – Earnings before Interest, Tax, Depreciation and Amortisation

<sup>1</sup> 2003 and 2004 revenue as per City of Chicago financial statements. 2005 revenue reflects collections since acquisition by MIG-Cintra on 24 January 2005

The table above shows total traffic has been relatively steady, growing at 0.7 percent from in 2004 and again by 0.7 percent in 2005. We note MIG have advised us that traffic growth has been affected since 2003 by a significant capital expenditure program on the Chicago Skyway.

In February 2005, car tolls were increased from US\$2.00 to US\$2.50 and an additional 40 percent levy was applied to heavy vehicle tolls between the hours of 4am and 8pm daily, which contributed to the increased toll revenue in 2005.

As part of the concession agreement, the MIG-Cintra consortium is required to complete a US\$70 million of capital expenditure by 2008, primarily in 2006 and 2007. We note the significant capital expenditure program completed by the City of Chicago and the consortium has substantially rehabilitated the asset.

## 7.2 *Indiana Toll Road*

The key characteristics of the ITR are detailed in the following table.

**Table 4: ITR key characteristics**

<b>Asset details</b>	
Location	Northern Indiana
Length	252.7 km
Size	4 to 6 lanes (2 to 3 lanes/direction)
Opened to traffic	1956

Source: MIG Analyst Package 2006

The concession ownership structure is detailed in the following table.

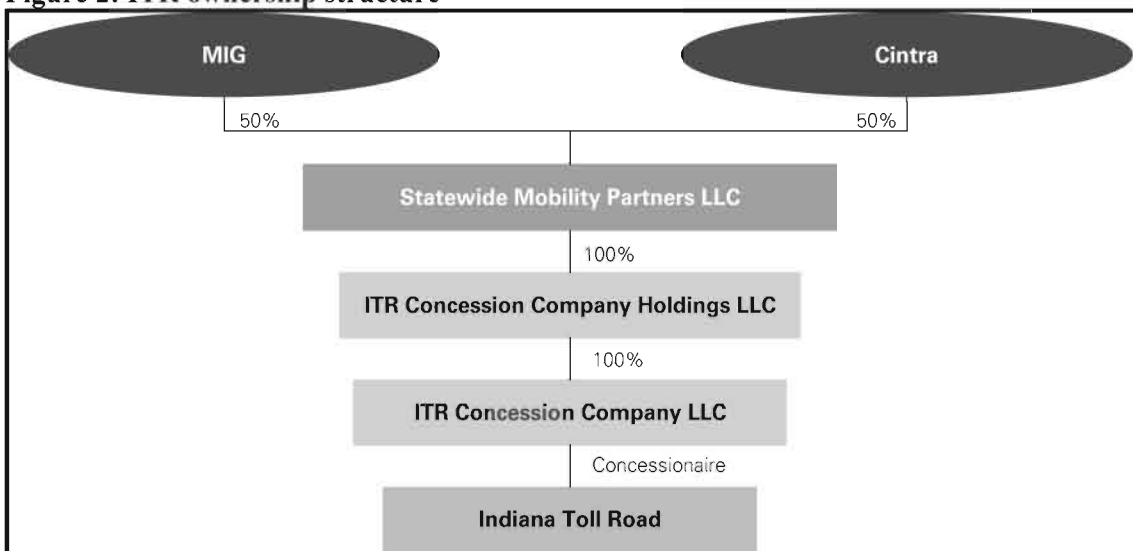
**Table 5: ITR concession ownership**

Concession	
Ownership	MIG (50%), Cintra (50%)
Commencement date	29 June 2006
Term (remaining MIG concession)	75 years

Source: MIG Analyst Package 2006

ITR Concession Company LLC was established by the MIG-Cintra consortium that successfully acquired the ITR from the Indiana Finance Authority (IFA). ITR Concession Company LLC is treated as a partnership for US tax purposes. The ownership structure can be seen in the figure below.

**Figure 2: ITR ownership structure**



Source: MIG Analyst Package 2006

The traffic numbers and recent financial performance for the ITR are detailed in the following table.

**Table 6: ITR summary of performance**

Year ending 31 December	2004	2005
<i>Traffic (ADT)</i>		
Cars	123,311	123,162
Trucks	24,792	26,655
<b>Total</b>	<b>148,103</b>	<b>149,817</b>
<b>Traffic growth</b>		<b>1.2%</b>
<i>Financial (US\$m)</i>		
Car toll revenue	35.31	34.56
Heavy vehicle revenue	49.59	53.34
<b>Total toll revenue<sup>1</sup></b>	<b>85.04</b>	<b>87.98</b>
Concession revenue	7.03	7.04
Other	0.60	0.79
<b>Total revenue</b>	<b>92.66</b>	<b>95.81</b>
Operating expenses <sup>2</sup>	(32.24)	(35.29)
<b>EBITDA</b>	<b>60.42</b>	<b>60.52</b>
<b>EBITDA growth</b>		<b>0.2%</b>
<b>EBITDA margin</b>	<b>65%</b>	<b>63%</b>

Source: MIG Analyst Package 2006

<sup>1</sup> Per financial statements, includes adjustments

<sup>2</sup> Excluding "Major expenses, repairs and renovations"

The table above shows total traffic has grown by 1.2 percent between 2004 and 2005 with the growth driven by an increase in heavy vehicles. Revenue and expenses have also experienced a similar level of growth, resulting in stable EBITDA. We note that, although not impacting on the above figures, a toll increase for all vehicles was implemented in April 2006, although the state will pay the amount of the increase for passenger vehicles until the introduction of electronic toll collection (ETC).

As part of the concession agreement, the MIG-Cintra consortium are required to comply with the mandatory expansion requirements for the ITR and spend US\$305 million on capital expenditure by 2009.

### 7.3 *Dulles Greenway*

The key characteristics of the Dulles Greenway are detailed in the following table.

**Table 7: Dulles Greenway key characteristics**

Asset details	
Location	Virginia
Length	22 km
Size	4 to 6 lanes (6 lanes by end of 2007)
Opened to traffic	September 1995

Source: MIG Analyst Package 2006

In regard to the table above, we note the Dulles Greenway has the potential to be expanded up to 12 lanes.

The concession ownership structure is detailed in the following table.

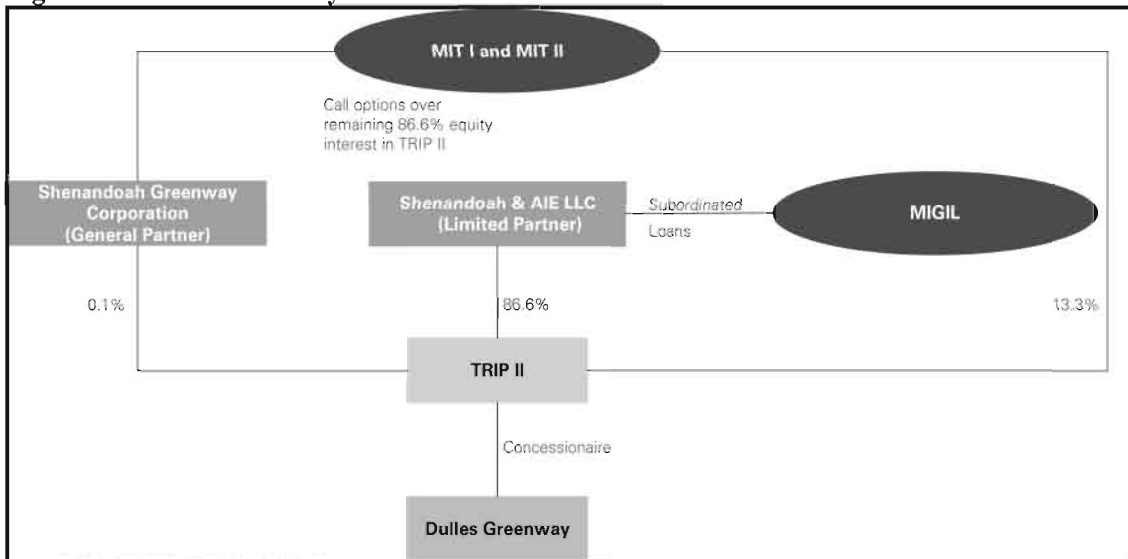
**Table 8: Dulles Greenway concession ownership**

Concession	
Ownership	MIG (100% economic interest)
Commencement date	6 July 1990
Term (remaining MIG concession)	49 years

Source: MIG Analyst Package 2006

Toll Road Investors Partnership II (TRIP II), a limited partnership, owns the concession to operate the Dulles Greenway until 15 February 2056. In late August 2005, MIG entered into an agreement to invest US\$533 million (A\$711 million) for an 86.7 percent economic interest in TRIP II and a 100 percent interest in the General Partner. The General Partner has day-to-day responsibility for the management and operation of the concession. On 29 September 2005, MIG invested a further US\$84.5 million to acquire a 13.3 percent direct interest in TRIP II from Kellogg, Brown and Root. Following this acquisition, MIG has a 100 percent economic interest in the Dulles Greenway. The investment structure can be seen in the figure below.

**Figure 3: Dulles Greenway investment structure**



Source: MIG Analyst Package 2006

The traffic numbers and recent financial performance for the Dulles Greenway are detailed in the following table.

**Table 9: Dulles Greenway summary of performance**

<b>Year ending 31 December</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<i>Traffic (ADT)</i>			
Cars	51,177	59,162	59,817
Trucks	1,095	1,456	1,400
<b>Total</b>	<b>52,272</b>	<b>60,618</b>	<b>61,217</b>
<b>Traffic growth</b>		<b>16.0%</b>	<b>1.0%</b>
<i>Financial (US\$m)</i>			
Toll revenue	33.11	40.73	45.43
Other	0.27	0.27	0.14
<b>Total revenue</b>	<b>33.37</b>	<b>41.00</b>	<b>45.57</b>
Operating expenses	(13.64)	(13.82)	(17.23)
<b>EBITDA</b>	<b>19.74</b>	<b>27.18</b>	<b>28.35</b>
<b>EBITDA growth</b>		<b>37.7%</b>	<b>4.3%</b>
<b>EBITDA margin</b>	<b>59%</b>	<b>66%</b>	<b>62%</b>

Source: MIG Analyst Package 2006

The table above shows traffic grew by 16.0 percent from 2003 to 2004, and stabilised in 2005 to grow by 1.0 percent. The strong growth in traffic in 2004 caused revenue to increase by 22.8 percent. We understand the growth was the result of capital expenditure on competing routes in 2004 which meant the Dulles Greenway became a more attractive alternative for motorists. This construction was completed in 2005 and hence traffic growth slowed on the Dulles Greenway in 2005.

Furthermore, in September 2004, an increase in car tolls from US\$1.90 to US\$2.40 during peak periods and from US\$1.50 to US\$2.00 during off peak periods was implemented, which also contributed to increased revenue in 2004 and 2005. At the same time, an increase in truck tolls from US\$3.80 to US\$4.80 during peak periods and from US\$3.00 to US\$4.00 during off peak periods was also implemented. Peak periods refers to weekdays from 6am to 9am and 4pm to 7pm and off peak refers to all other times. In 2005, operating expenses included an additional US\$1.4 million in costs relating to the refinancing of the Dulles Greenway that occurred in March 2005. This had an effect of reducing the EBITDA margin.

We note a toll increase was implemented on 1 January 2006 and a number of discounts were also removed or reduced at this time.

The Dulles Greenway currently has a US\$72 million capital improvement program underway, with US\$25 million spent as at 31 December 2005 with the remainder to be spent by 31 December 2007. The current capital works program is being financed through the Greenway's Improvement Fund, which was cash funded as part of the 2005 refinancing.

#### 7.4 *South Bay Expressway*

SBX is currently being constructed at a cost of approximately US\$635 million (including the cost of purchasing the concession, construction period interest and the funding of reserves), with full opening scheduled for mid 2007. In conjunction with the construction of SBX, two other sections of un-tolled, government funded roads are being constructed to link the northern end of

SBX into the wider San Diego road network. These two sections of road are expected to open at the same time as SBX.

The following table shows the key characteristics of SBX.

**Table 10: SBX key characteristics**

Asset details	
Location	San Diego, California
Length	13.9 km
Size	4 lanes (2 lanes/direction)
Open to traffic	Mid 2007 (expected)

Source: MIG Analyst Package 2006

In regard to the table above, it is possible to expand the road to six lanes in the southern section and eight lanes in the northern section if required.

The concession ownership structure is detailed in the following table.

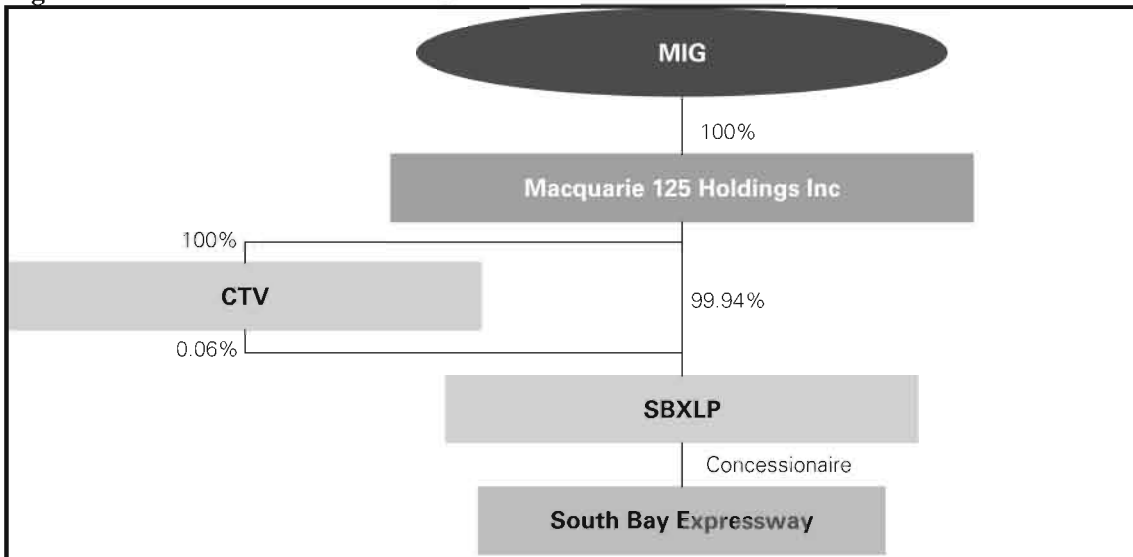
**Table 11: SBX concession ownership**

Concession	
Ownership	MIG 100%
Commencement date	Date of opening to traffic
Term	35 years from opening

Source: MIG Analyst Package 2006

The SBX concession was awarded to San Diego Expressway Limited Partnership (SDELP) by the State of California Department of Transportation in 1991. In September 2002, MIG acquired an 81.6 percent stake in SDELP together with 100 percent of the General Partner, California Transportation Ventures, Inc (CTV). In May 2003, MIG acquired the remaining 18.4 percent of SDELP and subsequently changed its name to SBXLP. The ownership structure can be seen in the figure below.

**Figure 4: SBX investment structure**



Source: MIG Analyst Package 2006

## 8 Profile of Macquarie Infrastructure Group

### 8.1 Background and Operations

MIG was established in July 1996 as the Infrastructure Trust of Australia and listed on the ASX on 16 December 1996 at A\$1.00 per security. It changed its name to Macquarie Infrastructure Group on 17 August 1999.

MIG has a mandate to develop and operate toll roads in countries belonging to the Organisation for Economic Co-operation and Development (OECD). Its investment assets are located in Australia, Europe and North America, with the majority of assets being held in North America.

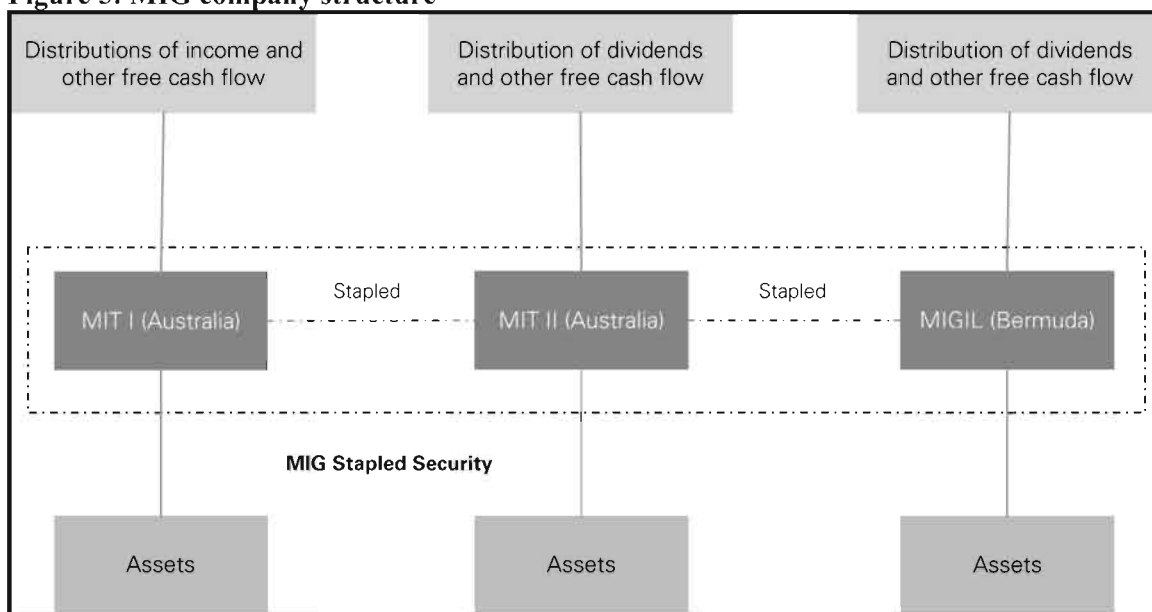
The market capitalisation of MIG was A\$8.3 billion as at 19 October 2006.

#### *Ownership Structure*

MIG is a triple stapled security. The entities comprised in MIG are MIT I, MIT II and MIGIL. MIT I and MIT II are managed by MIIML, a wholly owned subsidiary of MBL. MIGIL is a Bermudian company that forms the third element of MIG's triple stapled structure. MIMUK, also a wholly owned subsidiary of MBL, is the advisor of MIGIL.

The details of the company structure are set out in the figure below.

**Figure 5: MIG company structure**



Source: MIG analyst package 2006

## 8.2 Infrastructure portfolio

### General

The portfolio as at 30 June 2006 is set out in the table below.

**Table 12: Investment profile as at 30 June 2006**

Asset	Location	Ownership interest	Concession remaining	Carrying value at 30/06/06	Portfolio value	Risk premium
		%	(years)	A\$m	%	%
407 ETR	Toronto	30.00	92	2,960	32	4.0
M6 Toll	Birmingham	100.00	47	2,721	30	5.0
Dulles Greenway	Virginia	100.00	49	904	10	7.5
Westlink M7	Sydney	45.00	33	666	7	5.5
Indiana Toll Road	Indiana	50.00	75	503	5	7.8
Chicago Skyway	Chicago	45.00	97	456	5	6.0
Autoroutes Paris-Rhine-Rhône (APRR)	France	20.37	27	526	6	18.0
South Bay Expressway	San Diego	100.00	35	186	2	7.5
Tagus River Crossings	Lisbon	30.61	23	235	3	2.8
Warnow Tunnel	Rostock	70.00	27	-	-	6.5
				9,157	100	

Source: MIG analyst package 2006 and MIG 30 June 2006 results presentation

Note: The investment profile is as at 30 June 2006, excluding SRG

In regard to the table above we note all of the assets are currently operating as toll roads other than the SBX. The Tagus River Crossings consists of two toll bridges, the 25<sup>th</sup> April Bridge and the Vasco da Gama Bridge.

Since opening in September 2003, Warnow Tunnel traffic has been significantly below MIG's expectations. As a result, MIG reduced the value of its investment to nil in December 2003, where it has since remained.

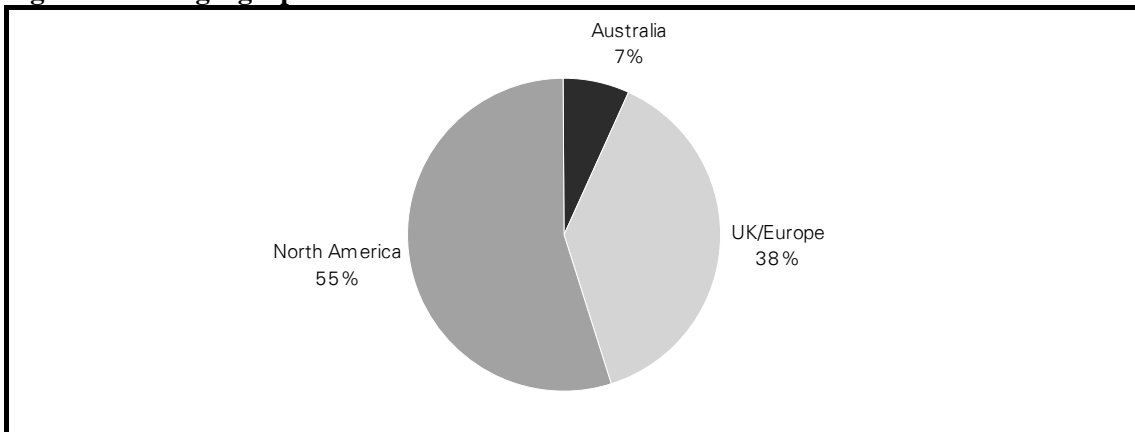
On 24 July 2006, MIG demerged its interest in the Eastern Distributor, M5 Motorway and M4 Motorway to the newly established SRG. SRG was valued at A\$1,409 million at June 2006 and listed on the ASX on 31 July 2006.

On 28 September 2006, MIG exercised pre-emptive rights over an additional 2.5 percent stake in Westlink M7, which brought MIG's stake to 47.5 percent and its carrying value to an estimated A\$703 million, based on the 30 June 2006 asset valuation.

#### *Geographic diversification*

The figure below illustrates the geographic split of MIG's assets in North America, UK/Europe and Australia based on the June 2006 asset valuations, excluding SRG. We note the figure does not include the updated investment profile of Westlink M7, however this would have minimal effect on MIG's geographic diversification.

**Figure 6: MIG geographic diversification**



Source: MIG analyst package 2006

### 8.3

#### **Financial information**

MIG provides a number of financial statements including:

- Statutory financial statements produced in accordance with Australian equivalents to International Financial Reporting Statements (AIFRS)
- A proportionally consolidated EBITDA (calculated on both an actual and pro forma basis)
- An aggregated management report indicating asset valuations and MIG's Net Asset Backing (NAB).

Under AIFRS, MIG's statutory financial statements comprise a mixture of consolidation and investment accounting. In our opinion, a more complete financial picture of MIG is obtained from:

- The proportionally consolidated EBITDA
- The aggregated management report.

#### 8.4 *Proportionally consolidated EBITDA*

The proportionally consolidation EBITDA and traffic report for the 12 months ending 30 June 2005 and 2006 is set out in the table below.

**Table 13: Proportionally consolidated EBITDA and traffic**

For the 12 months ending 30 June	2005	2006	Change	Change
	A\$m	A\$m	A\$m	%
<i>Actual</i>				
Traffic % change				60.1%
Operating revenue	486.6	783.7	297.0	61.0%
Operating expenses	(116.8)	(202.5)	(85.7)	73.3%
<b>EBITDA from assets</b>	<b>369.8</b>	<b>581.1</b>	<b>211.4</b>	<b>57.2%</b>
Corporate net expenses	(199.0)	(126.0)	73.0	(36.7%)
<b>EBITDA from assets</b>	<b>170.8</b>	<b>455.1</b>	<b>284.3</b>	<b>166.5%</b>
Net asset interest paid	(268.0)	(334.0)	(66.0)	24.6%
Net corporate interest received	41.4	38.8	(2.6)	(6.3%)
Net tax paid	(22.0)	(47.4)	(25.4)	115.5%
<i>Pro forma</i>				
Traffic % change				2.6%
Operating revenue	1,062.3	1134.4	72.1	6.8%
Operating expenses	(333.9)	(338.5)	(4.6)	1.4%
<b>EBITDA from assets</b>	<b>728.4</b>	<b>795.9</b>	<b>67.5</b>	<b>9.3%</b>
Corporate net expenses	(199.0)	(126.0)	73.0	(36.7%)
<b>EBITDA from assets</b>	<b>529.4</b>	<b>669.9</b>	<b>140.5</b>	<b>26.5%</b>
Net asset interest paid	(568.3)	(401.8)	166.5	(29.3%)
Net corporate interest received	41.4	38.8	(2.6)	(6.3%)
Net tax paid	(23.1)	(78.3)	(55.2)	239.7%

*Source: MIG Management Information Report 30 June 2006  
NB. The ITR has not been included in this report*

In relation to the table above, we note the following:

- 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 where an asset is acquired or disposed of) that asset's result for the period are included on a time-weighted ownership basis.
- Under 'Pro forma' approach, MIG aggregates the results of its assets for both the current period and the prior corresponding period based on its proportionate ownership as at the end

of the current period. As a result, this approach reflects the period-on-period performance of MIG's current portfolio.

- Pro forma operating revenue increased by 6.8 percent from 2005 to 2006 primarily due to toll growth and the opening of Westlink M7.
- Net corporate expenses include management fees, performance fees and other expenses incurred in running the business, such as registry and custodian fees. Pro forma net corporate expenses are A\$73 million lower in 2006 compared to 2005 primarily because no performance fee was calculated for 2006.
- Pro forma net asset interest paid has decreased by 29.3 percent in 2006 due to the absence of prior period refinancing costs relating to the Dulles Greenway and the Eastern Distributor. However, this was partially offset by Chicago Skyway refinancing costs, Westlink M7 becoming operational and lower period-on-period cash interest paid by APRR and the Eastern Distributor.
- Net corporate interest reflects interest received on cash balances less interest paid on corporate facilities.

## **8.5** *Historical aggregated balance sheet*

The historical aggregated balance sheet as at 30 June 2005 and 2006 is set out in the following table.

**Table 14: Aggregated balance sheet**

As at 30 June	2005 A\$m	2006 A\$m
Cash and cash equivalents	1,082	785
Receivables and other current assets	92	100
<b>Total current assets</b>	<b>1,174</b>	<b>885</b>
Investments in financial assets	8,015	10,487
Other non current assets	32	0
<b>Total non current assets</b>	<b>8,047</b>	<b>10,488</b>
<b>Total assets</b>	<b>9,221</b>	<b>11,373</b>
Payables and other liabilities	128	40
Interest bearing liabilities	-	230
Distribution payable	298	272
<b>Total current liabilities</b>	<b>426</b>	<b>542</b>
Interest bearing liabilities	453	765
Deferred tax liabilities	1,217	420
Other non current liabilities	32	-
<b>Total non current liabilities</b>	<b>1,702</b>	<b>1,185</b>
<b>Total liabilities</b>	<b>2,128</b>	<b>1,727</b>
<b>Net assets</b>	<b>7,093</b>	<b>9,645</b>
Contributed equity	7,064	7,772
Reserves	(3,468)	(3,002)
Retained profits	3,497	4,875
<b>Total MIG Security holders' interest</b>	<b>7,093</b>	<b>9,645</b>
<b>Total equity</b>	<b>7,093</b>	<b>9,645</b>

Source: MIG Aggregated Management Report 30 June 2006

In relation to the table above, we note the following:

- Cash and cash equivalents includes cash at bank and short term money market investments. The majority of the cash at bank balance is held in accounts earning money market rates of interest.
- Investments in financial assets refers to MIG's current infrastructure portfolio. It increased in 2006 due to the revaluation of investments and new investments made into Dulles Greenway, ITR and APRR.
- The balance sheet incorporates MIG's Australian investment in SRG, as the demerger of SRG occurred in July 2006. The demerger of SRG reduced the net asset backing of MIG by A\$1,009 million<sup>2</sup>.
- The increase in current interest bearing liabilities from 2005 to 2006 is largely attributable to the draw down of a multi-option debt facility for A\$230 million. The multi-option debt

<sup>2</sup> MIG Analyst Package 2006 – Adjustment for demerger of SRG is \$0.40 per security. There were 2,475.5 million securities as at 30 June 2006.

facility is a credit facility available to MIG with a total drawable amount of A\$500 million and is used for short term funding of MIG's investments. The draw down of A\$230 million was in connection with MIG's investment in ITR.

- The increase in non current interest bearing liabilities from 2005 to 2006 is largely attributable to a draw down on the securitisation facilities in respect of the Australian roads now owned by SRG.

## 8.6 *Aggregated statement of cash flows*

The aggregated cash flow statement for the 12 months ending 30 June 2005 and 2006 is set out in the table below.

**Table 15: Aggregated cash flow statement**

<b>For the 12 months ending 30 June</b>	<b>2005</b>	<b>2006</b>
	<b>A\$m</b>	<b>A\$m</b>
Interest received	84	84
Indirect taxes received	11	22
Payments to suppliers and employees (inclusive of GST)	(18)	(31)
Responsible entity and advisor fees	(87)	(125)
Distributions and dividends received	104	125
Other	4	1
<b>Net cash flows from operating activities</b>	<b>98</b>	<b>76</b>
Proceeds from Transurban Group securities	-	151
Proceeds from sale of Cintra	1,739	-
Proceeds from sale of Connect M1-M4	104	-
Proceeds from exchange of Hills Motorway Group securities	4	-
Proceeds from return of capital from Lusoponte	2	-
Proceeds from return of capital from Dulles	-	4
Proceeds from return of capital from Skyway	-	222
Payments for purchase of investments	(653)	(1,815)
Other	4	6
<b>Net cash flows from investing activities</b>	<b>1,199</b>	<b>(1,432)</b>
Proceeds from external borrowings	-	505
Distributions paid	(1,307)	(538)
Dividend reinvestment plan (DRP) proceeds received	806	306
Proceeds from issue of securities	-	784
Other	(3)	(14)
<b>Net cash flows from financing activities</b>	<b>(504)</b>	<b>1,044</b>
<b>Net increase/(decrease) in cash assets held</b>	<b>792</b>	<b>(312)</b>
Cash asset at the beginning of the year	325	1,082
Exchange rate movements	(36)	15
<b>Cash assets at the end of the year</b>	<b>1,082</b>	<b>785</b>

*Source: MIG Aggregated Management Report 30 June 2006*

In relation to the table above, we note the following:

- Distributions and dividends received is reflective of the distribution income from all the assets in MIG's portfolio.
- Other cash flows from operating activities includes management and secondment fees received, income taxes paid and other income received.
- Payment for purchase of investments refers in 2006 to new investments in Dulles Greenway and ITR in the US and the French toll road network APRR.
- Other cash flows from investing activities includes proceeds from repayments of interest bearing financial assets and loans advanced to investments.
- Proceeds from external borrowings in 2006 refers to draw downs of A\$275 million from the securitisation facilities in respect of the Australian roads now owned by SRG and the A\$230 million draw down on MIG's standby facility to fund MIG's investment in ITR.
- Distributions paid to MIG Security holders and DRP proceeds received in 2005 include a distribution of 60 cents per MIG stapled security from the proceeds of Cintra Initial Public Offering (IPO). Additionally, Security holders were offered to participate in the MIG DRP at a 2.5 percent discount. The DRP facilitated the funding of the Chicago Skyway investment.
- Proceeds from issue of securities relates to the placement of A\$675 million of ordinary stapled securities to institutional and sophisticated investors, which were used to fund MIG's investment in Dulles Greenway.
- Other cash flows from financing activities refers to costs of raising capital and borrowing costs paid.

## **8.7 Capital structure**

### *Contributed equity and major security holders*

At 19 October 2006, MIG had 2,531,003,907 securities on issue with the top 20 Security holders dominated by institutional groups. The major investors at 28 August 2006 are set out in the table below:

**Table 16: Major investors as at 28 August 2006**

Investor	Total number of securities held	Contributed equity %
JP Morgan Nominees Australian Ltd	515,901,386	20.38
Westpac Custodian Nominees Ltd	502,781,641	19.86
National Nominees Ltd	343,818,465	13.58
Citicorp Nominees Pty Ltd	106,493,452	4.21
ANZ Nominees Ltd	76,597,053	3.03
UBS Nominees Pty Ltd	47,000,000	1.86
Macquarie Infrastructure Investment Management Ltd	32,431,459	1.28
Queensland Investment Corporation	30,820,428	1.22
HSBC Custody Nominees (Aust) Ltd	24,968,570	0.99
RBC Global Services Australia Nominees Pty Ltd	24,564,474	0.97
Other	825,626,979	32.62
<b>Total</b>	<b>2,531,003,907</b>	<b>100.00</b>

*Source: MIG Annual Report 2006*

As at 19 October 2006, there was one substantial Security holder, Capital Group Companies Inc, holding 236,300,356 securities or 9.33 percent of total securities.

OTPP currently owns 120,429,236 securities or 4.76 percent of total securities. They also own A\$500 million (including accrued interest) of ReCNs which they are entitled to convert once MIG lodges a notice of meeting in relation to the Proposed Transaction or the Special Buyback. OTTP can convert the ReCNs at a 7.5 percent discount to the 30-day volume weighted average price (VWAP) prior to conversion. Based on the 30 day VWAP at 9 October 2006 of A\$3.17, OTTP can convert the notes to approximately 171 million securities or 6.7 percent of securities currently on issue, which would increase OTTP's holdings to approximately 10.77 percent of total securities after issue. The right to convert the ReCNs expires when the AGM is held or the Proposed Transaction or the proposal for the Special Buyback is withdrawn. OTTP would otherwise have been entitled to exercise their ReCNs in 2008.

The spread of Security holders as at 31 August 2006 is set out in the following table.

**Table 17: Spread of Security holders as at 31 August 2006**

Size of holding	Number of security holders	Securities on issue %
1 to 1,000	8,153	0.15
1,001 to 5,000	27,696	3.14
5,001 to 10,000	13,097	3.73
10,001 to 100,000	10,341	8.79
100,001 and over	433	84.19
<b>Total</b>	<b>59,720</b>	<b>100.00</b>

*Source: MIG*

In relation to the table above, we note that 84.2 percent of the securities issued are held by Security holders comprising 0.7 percent of the total Security holder base by number.

*Directors interest*

The following table details the directors security holdings in MIG as at 30 June 2006.

**Table 18: Directors interest as at 30 June 2006**

Director	Securities
Michael Easson	368
Mark Johnson	811,619
Paul McClintock	85,438
Nicholas Moore	840,247
David Mortimer	514,521
John Roberts	208,587
David Walsh	25,000
<b>Total</b>	<b>2,485,780</b>

Source: MIG financial report for the year ended 30 June 2006 and DatAnalysis

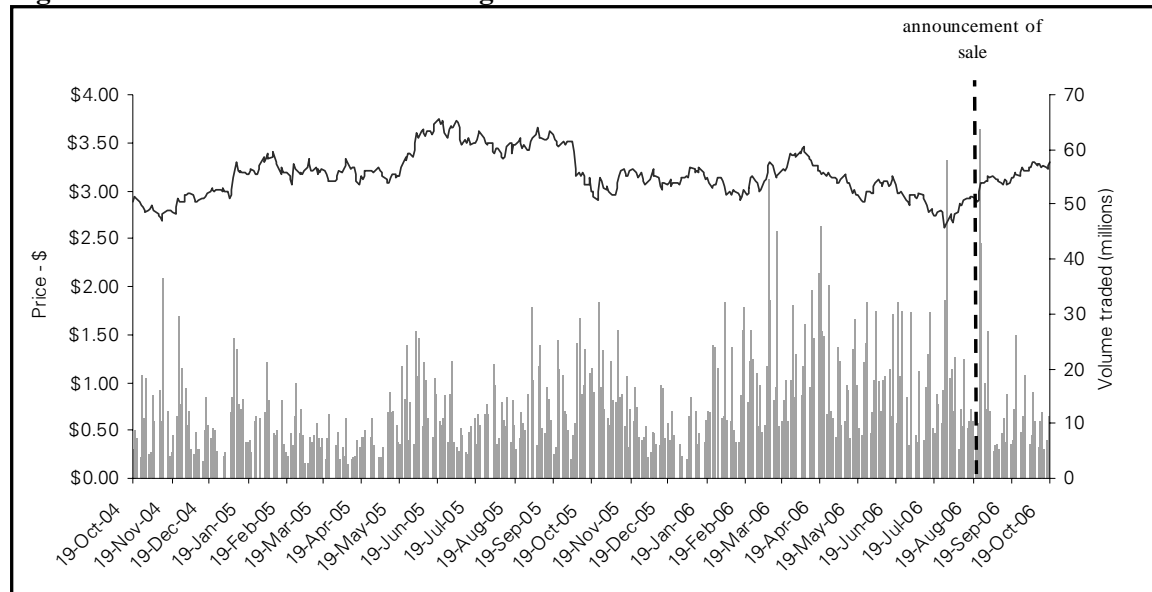
**8.8**

**Share market performance**

*Volume and security price history*

The MIG security price history and volume of trading for a two year period from 19 October 2004 to 19 October 2006 is set out in the figure below.

**Figure 7: Prices and volume of trading in MIG securities**



Source: IRESS

Announcements made since 19 October 2004 that may have had an impact on the market price and trading volumes of MIG securities are noted in the table below.

**Table 19: MIG ASX announcements**

Date	Announcement/publication
17 December 2004	Sale of Yorkshire Link
23 December 2004	Distributes Cintra IPO proceeds
7 January 2005	Favourable court ruling on 407 ETR
30 August 2005	Announced trading halt
	Invested US\$533 million in Dulles Greenway toll Road and indicated it would take operational management responsibility
1 September 2005	Completed a A\$675 million placement of ordinary stapled securities
30 January 2006	Announced Westlink M7 Traffic and revenue information for the first week of tolled traffic
16 February 2006	Released 407 International's 4 <sup>th</sup> quarter results and operating performance
	European Commission cleared the proposed acquisition of 70.2% of Autoroutes Paris-Rhine-Rhone by the Eiffage/MIG/MEIF consortium from the French government
10 March 2006	Sold entire holding of 22 million securities in Transurban Group at A\$6.85 per security
27 March 2006	Announcement to divest mature Australian assets: Eastern Distributor, M4 and M5 (SRG)
13 April 2006	Announced the Indiana Toll Road concession and lease agreement for a 75 year lease of the road
27 July 2006	SRG commenced official quotation on ASX
28 July 2006	Reiterated FY2007 distribution guidance at 20c per stapled security
24 August 2006	Announced the sale of 50% of its interests in its four US assets to MIP
	Released preliminary final report and full year accounts
	Announced buy back of securities

*Source: ASX*

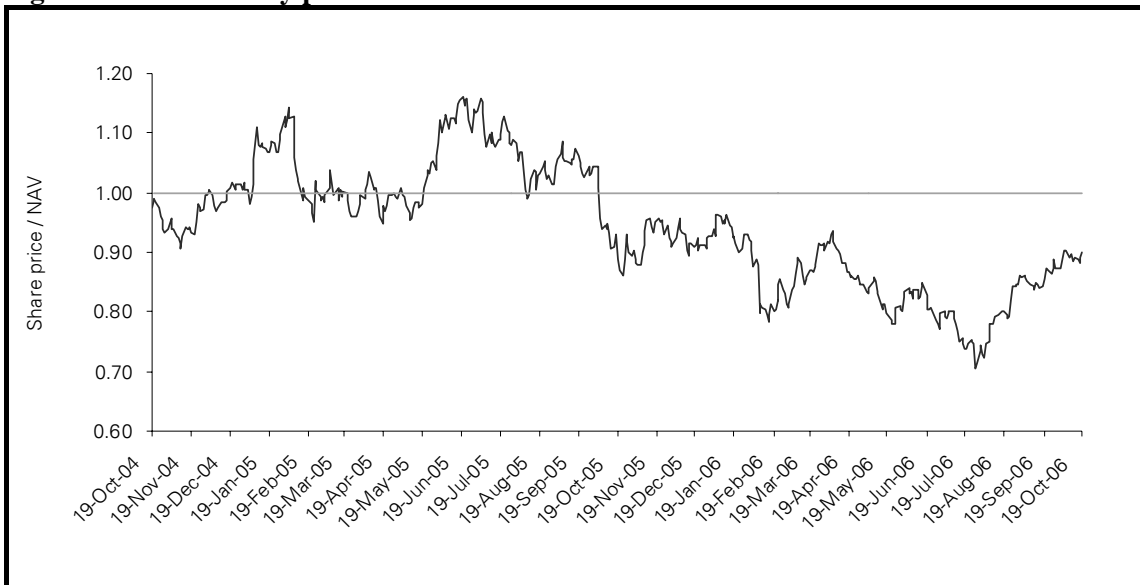
We note that until June 2006, MIG released traffic reports on a monthly basis and two of the peaks in the volume of MIG securities traded (in November 2005 and March 2006) coincided with the release of the traffic reports.

#### *Security trading post announcement*

The Proposed Transaction was announced on 24 August 2006 together with the release of the full year results and the announcement of a security buyback, MIG securities closed 10 cents higher at A\$3.00. Over the course of the following week, the security price continued to climb and closed at A\$3.14 on 1 September 2006. Since then, MIG securities have continued to increase and closed at A\$3.29 on 19 October 2006.

The figure below shows the performance of MIG securities against the adjusted NAV. NAV has been adjusted for the demerger of SRG in July 2006 and the distribution of the Cintra IPO proceeds in December 2004. The figure shows MIG has been trading at a discount to NAV since October 2005. Since the announcement of the Proposed Transaction on the 24 August 2006, the trading price has moved from a 21 percent discount to NAV to a 10 percent discount to NAV as at 19 October 2006.

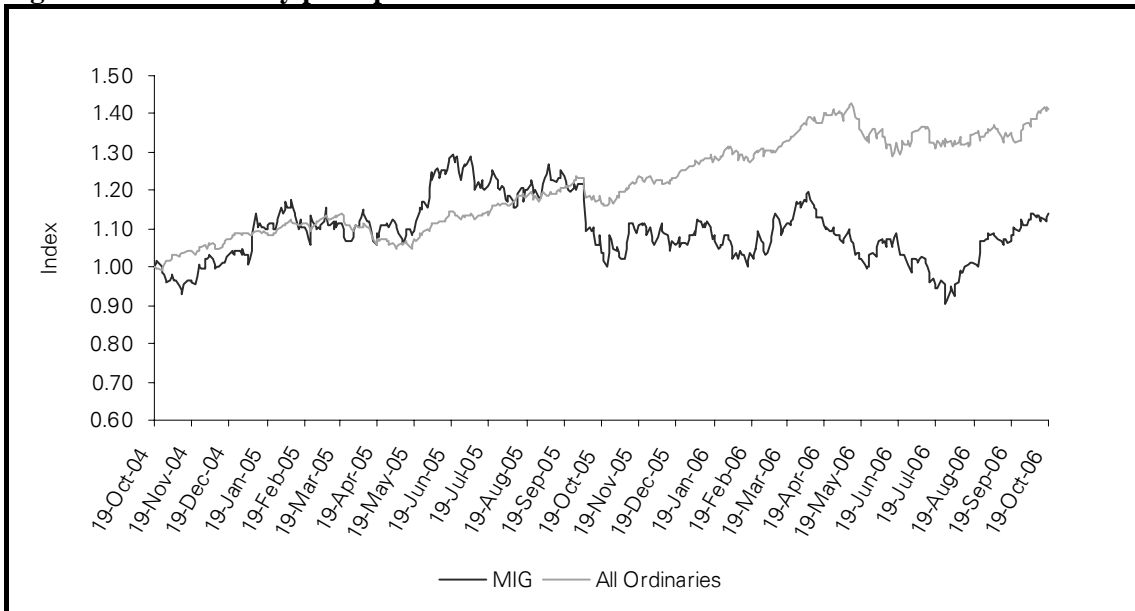
**Figure 8: MIG security price / NAV**



Source: IRESS and MIG Management

The figure below shows the performance of MIG securities against the All Ordinaries for the two years between 19 October 2004 to 19 October 2006. MIG was performing in line with the All Ordinaries for the first year of the data, but has been underperforming the All Ordinaries since September 2005.

**Figure 9: MIG security price performance relative to the All Ordinaries Index**



Source: IRESS

## 9 Valuation of the Toll Roads

### 9.1 General

We have reviewed the Valuation undertaken by KPMG Canada and relied upon it for this IER.

### 9.2 Scope of review

The information provided to undertake the Valuation included the MIG Models as prepared by MIG with the aid of various advisors.

### 9.3 Valuation methodology and approach

The Valuation was undertaken using a discounted cash flow (DCF) approach, determined under a going concern assumption. Under the DCF approach, value is assessed on the basis of the present value of the future cash flows which may be expected by investors. In such circumstances, two factors require consideration:

- The appropriate free cash flow to equity (FCFE)
- An appropriate discount rate or required rate of return ( $k_e$ ).

As a cross check, the valuation determined using the DCF approach has been considered having regard to the capitalisation multiples implied by public companies holding similar infrastructure assets in North America, Europe and Asia, as well as the multiples and IRRs implied by transactions involving companies holding similar infrastructure assets and multiples and IRRs implied by transactions involving stand alone infrastructure assets. The details of these companies can be found in Appendix 3. Furthermore, the valuations of the Toll Roads in brokerage reports have been reviewed.

#### *Free cash flow to equity*

We note the key inputs to FCFE including traffic, operating expenditures and capital expenditure have been estimated for the most part by third party qualified industry specialists and the Toll Road management. Further, model audit reports as well as tax reports have also been prepared by advisors and relied upon by other third party advisors.

The MIG Models have been relied on for the purposes of the Valuation, but the following checks have also been undertaken:

- A high level review of the MIG Models to understand the basic data flows and to identify the key data inputs and outputs.
- The technical reports were reviewed for overall reasonableness and on a sample basis, the forecasts in the MIG Models were verified. Lender and borrower traffic and revenue reports (T&R Reports) were also compared on an overall basis.
- Key management assumptions were documented and agreed to supporting documentation, including management budgets.

- Project history, current operations and outlook were discussed with management
- General macroeconomic assumptions such as inflation and gross domestic product (GDP) growth were documented and compared to third party sources
- Model audit reports were reviewed to ensure third party sign off on the mechanical accuracy of the financial models.

In our opinion, it is appropriate to rely on the Valuation in forming our opinion as:

- The methodology employed is appropriate
- The various financial models have been subject to audit by third parties
- Key assumptions (including traffic and revenue) have been determined by third parties and nothing has come to light that would cause us to believe the projections are unreasonable.

*Required rate of return*

The Capital Asset Pricing Model (CAPM) has been applied to calculate an appropriate cost of equity for each asset. CAPM theory holds that the cost of equity capital is equal to the risk free rate of return plus the product of the stock's beta coefficient, being the index of its risk expressed as the volatility of its return in relation to that of a market portfolio, and the risk premium of the market as a whole.

The equation is set out below:

$$K_e = R_f + \beta(R_m - R_f) + \alpha$$

Where:

- $R_f$  = risk-free rate
- $\beta$  = the stock's beta coefficient
- $R_m$  = representative market return
- $(R_m - R_f)$  = market risk premium
- $\alpha$  = company specific risk factor (alpha)

The following parameters to the CAPM formula have been applied:

- The risk free rate of return is based on the US Government 30-year treasury rate of 4.9 percent as at 15 September 2006.
- Beta is a measure of risk based on the volatility of a company's return in relation to that of a market portfolio. A levered beta of 0.71 was applied, based on the average leveraged beta of public infrastructure companies. The details of these companies is set out in Appendix 3.

- The market risk premium in the US is estimated to be approximately 5.0 percent based upon available empirical research.
- The alpha is a company specific risk factor which is appropriate to apply in situations where the risk of an investment is not fully encompassed within beta. Each Toll Road has been individually assessed to determine the appropriate alpha.
- The weighted average discount rate applied to the four assets is 12.4 percent.

## 9.4 *Key parameters of the Valuation*

### *Traffic*

Independent traffic reports have been completed by Maunsell:

- Dated July 2005 and reviewed in September 2006 for the Chicago Skyway, indicating that traffic growth over the next five years is expected to be influenced by, amongst other factors, the completion of road works in the corridor, as well as the travel time savings associated with using the Chicago Skyway.
- Dated December 2005 for ITR, indicating that traffic growth over the next four years is expected to be influenced by, amongst other factors, construction along the route, implementation of ETC as well as toll increases for heavy vehicles.
- Dated June 2005 and reviewed in September 2006 for Dulles Greenway, indicating that traffic growth over the next 15 years is expected to be influenced by, amongst other factors, commercial and residential development in the corridor.
- Dated October 2006 for SBX, indicating traffic growth will be influenced by the build out of the corridor during the early years of the concession.

### *Tolling*

In regard to the Chicago Skyway, maximum allowable tolls can be increased according to a specified schedule every two to three years. Maximum tolls increase at an average annual rate of 6.5 percent until 2017, with subsequent maximum toll increases limited to the greater of the consumer price index (CPI), nominal GDP per capita or 2 percent per annum.

In regard to the ITR, maximum toll escalation is pre-determined according to a specified schedule to 30 June 2010. Maximum tolls can increase by the greater of 8 percent, CPI or nominal GDP per capita growth over the previous four years. Thereafter, maximum toll can increase at the greater of 2 percent, CPI or nominal GDP per capita every year.

In regard to Dulles Greenway, the toll increases are not automatic and are subject to regulatory process.

In regard to SBX, the owner has discretion to set market-based toll rates without regulation.

### *Operating margin*

In regard to the Toll Roads, the operating margin forecasts in the MIG Models are consistent with historic results. Where the operating margin is increasing, this is primarily due to revenue increasing through a combination of traffic growth and toll increases.

### *Capital expenditure*

In regard to the Toll Roads, the capital expenditure forecast in the MIG Models are consistent with the requirements of the concession agreements as well as expected capacity changes based on increased traffic volumes and also incorporate life cycle rehabilitation requirements.

### *Distributions*

All cash flows available after debt has been serviced and applicable taxation requirements have been met, are assumed to be distributed to Security holders.

## **10 Assessment of the fairness and reasonableness of the Proposed Transaction**

### **10.1 Key issues**

In forming our opinion as to whether the Proposed Transaction is fair and reasonable to the non-associated Security holders we are required to compare the likely advantages and disadvantages for the non-associated Security holders if the Proposed Transaction is agreed to, with the advantages and disadvantages to those Security holders if it is not. In this regard, comparing the value of the securities to be acquired under the proposal and the value of the consideration to be paid is only one element of this assessment.

### **10.2 Sale price**

The consideration to be paid by MIP for the acquisition of 50 per cent of MIG's interest in the Toll Roads will comprise the pro rata NAV as at 30 June 2006, rolled forward to financial close. The consideration will be reduced by 50 percent of any distributions received and increased by 50 percent of any contributions made between 30 June 2006 and financial close, after these amounts have been rolled forward to financial close at the respective IRR for each project. Assuming a 15 December 2006 financial close, this amount is expected to total approximately US\$825 million and is payable by MIP to MIG primarily in cash with a small component paid to SBX in satisfaction of MIG's obligation to invest equity to fund construction completion. This amount is consistent with the Valuation.

### **10.3 Other advantages of the Proposed Transaction**

In our view, a primary advantage of the Proposed Transaction to non-associated Security holders, other than price, relates to the ability of MIP to raise funds in the US market to potentially co-invest with MIG. The relationship with MIP will provide a platform for further development in the US and represent a second source of equity capital to support future US opportunities. Importantly, MIP may help negate any negative perceptions regarding US infrastructure assets being foreign owned. While Security holders will not receive 100 percent of the economic benefits of any future partnership, MIG's relationship with MIP may enable

MIG to participate in projects that it otherwise may not have been able to fund on its own and the terms of the partnership may be more favourable than a partnership with an unrelated party. As a result, this could provide equity upside for Security holders.

Furthermore, MIG and MIP are both active managers with similar investment mandates. While MIP's investment mandate is not limited to toll roads, this may assist in decision making in regard to investment opportunities and objectives.

Another advantage of the Proposed Transaction is the assets are being sold at NAV. MIG's securities have been trading at a discount to NAV since October 2005 and as at 23 August 2006, MIG's securities were trading at a 21 percent discount to NAV. Selling the assets at NAV enables MIG to 'prove up' the value of the Toll Roads and potentially reduce the trading discount to NAV.

#### **10.4 Other factors we have considered**

In our opinion there are a number of factors pertinent in assessing whether the Proposed Transaction is fair and reasonable which do not precisely fit into the concepts of advantages or disadvantages.

##### *Portfolio diversification*

The composition and risk profile of the portfolio will change if the Proposed Transaction proceeds. The sale of the Toll Roads will result in increased exposure to the non-US assets in the MIG portfolio as well as a change to the portfolio's weighted risk premium. This means that the Proposed Transaction will result in a reduction to the geographic diversification of the portfolio. Furthermore, the Toll Roads have a marginally higher risk premium than the current portfolio, which means if the Proposed Transaction proceeds, the portfolio's weighted average risk premium will decrease slightly as will the expected return for the portfolio. This may be an unwanted change to investors' current portfolio risk profile.

##### *Distributions per security for financial year 2007*

On 28 July 2006, MIG responded to market speculation and reiterated its distribution guidance for the 2007 financial year of 20 cents per security. The Notice of Meeting for the Proposed Transaction confirms this guidance if the Proposed Transaction is approved.

##### *Longer term returns*

In the longer term, MIG's returns from the Toll Roads will be reduced to reflect its reduced ownership interest. However, the consideration was determined by reference to the NAV of the Toll Roads which was in turn calculated by reference to a DCF in which the discount rate applied was determined by reference to the risk profile of the Toll Roads. In the absence of the Special Buyback, if MIG were to invest the proceeds from the Proposed Transaction in similar assets generating similar expected returns, longer term returns should not be affected.

Furthermore, as the assets are to be sold at NAV and the shares are to be bought back at a discount to NAV, the Proposed Transaction followed by a security buyback should have an accretive effect on returns per security.

### *Net asset backing per security*

The sale interests in the Toll Roads are priced at NAV pursuant to the Proposed Transaction and therefore, other than the costs associated with implementing the Proposed Transaction, the Proposed Transaction should not impact upon MIG's NAB per security.

### *Process*

Prior to deciding upon the Proposed Transaction, MIG and its advisors considered a number of different strategies in order to participate in the future growth anticipated in the US toll road industry. Each of these alternatives considered the most appropriate way to raise capital to fund such participation.

### *OTPP shareholdings*

As a result of MIG issuing a notice of meeting for the Proposed Transaction or the Special Buyback, OTPP will be entitled to convert A\$500 million (including accrued interest) of convertible notes to shares at a 7.5 percent discount to the 30 day VWAP. If OTPP exercise their right to convert, their shareholding will increase by approximately 6 to 7 percent. The right to convert the ReCNs expires when the AGM is held or the Proposed Transaction or the proposal for the Special Buyback is withdrawn. OTPP would otherwise have been entitled to exercise their ReCNs in 2008.

### ***Implications if the Proposed Transaction does not proceed***

Should the non-associated Security holders not approve the Proposed Transaction, MIG's operations will remain unchanged. We note that either with or without the Proposed Transaction proceeding:

- MIG has reiterated its distribution guidance for the 2007 financial year of 20 cents per security in the Notice of Meeting
- MIG will continue to investigate toll road acquisition opportunities in markets in which it has an investment mandate
- MIG will incur costs associated with implementing the Proposed Transaction
- OTPP will still have the option to convert their ReCNs into securities in 2008 if they have not done so prior to the AGM.

If the Proposed Transaction does not proceed:

- MIG will not gain a US partner/investment vehicle through which funds for US acquisitions could be raised in the US market, meaning any perceived opposition to foreign ownership of US infrastructure assets may not be negated. That is, MIG may be less successful with regard to US investment opportunities if not partnered with a US partner.

- MIP's agreement to enter into the Proposed Transaction indicates third party support for the NAV of the Toll Roads. However, support does not necessarily 'prove up' asset value and so if the Proposed Transaction does not proceed MIG's securities may fall from current trading levels.

### **10.5 Other proposed resolutions**

MIG has proposed utilising a portion of the funds raised from the Proposed Transaction in a Special Buyback, subject to Security holder approval. To the extent that MIG securities are trading at below 'fair value' and the Special Buyback will utilise funds from the sale of assets at 'fair value', the Special Buyback should have an accretive effect on MIG's security price.

If the Proposed Transaction does not proceed the security buyback will be limited to a maximum of A\$500 million, that is the proposed Special Buyback will not occur.

## **11 Conclusion of the Proposed Transaction**

Having considered the items in Section 10, we are of the opinion that the Proposed Transaction is fair and reasonable having regard to the interests of the non-associated Security holders. In particular:

- The sale consideration is consistent with the Valuation.
- The potential benefits to the non-associated Security holders are likely to outweigh the potential disadvantages to those same Security holders.

## **Appendix 1 – Qualifications and declarations**

### ***Qualifications***

KPMG Corporate Finance (Aust) Pty Ltd (KPMG) is the holder of an Australian Financial Services Licence, No 246901, under the Corporations Act 2001 and is controlled by the partners of KPMG, Chartered Accountants (the KPMG Partnership), a long established firm of chartered accountants which provides a full range of professional services, including advising on valuations, acquisitions, take overs, restructuring proposals, reorganisations and related matters. The individuals responsible for the preparation of this report are Mr Ian Jedlin and Mr Michael Jones.

Mr Ian Jedlin is a partner in the KPMG Partnership, an Executive Director of KPMG's Corporate Finance practice, an Associate of the Institute of Chartered Accountants in Australia, holds a Master of Commerce from the University of New South Wales, a Fellow of the Financial Services Institute of Australasia (previously the Securities Institute of Australia) and has had over 15 years experience in the preparation of independent reports on the valuation of shares and businesses.

Mr Michael Jones is a Director in KPMG's Corporate Finance practice. Michael is an Associate of the Institute of Chartered Accountants in Australia, holds a Master of Commerce degree from the University of New South Wales and has had 15 years experience in the preparation of independent reports and the valuation of shares and businesses.

Mssrs Jedlin and Jones were assisted in the preparation of this report by other KPMG staff.

### ***Declarations***

The statements contained in the report are given in good faith and have been derived from information believed to be reliable and accurate. We have examined this information and have no reason to believe that any material factors have been withheld from us.

During the course of this engagement, KPMG provided draft copies of this report to MIG for comment as to factual accuracy, as opposed to opinion, which are the responsibility of KPMG alone. Changes made to this report as a result of these reviews have not changed the opinion reached by KPMG.

KPMG Canada has been engaged by MIP in conjunction with MIG to provide an independent valuation of the Toll Roads. In forming our opinion as to the Proposed Transaction we have had access to and relied upon this report. We note that with respect to the work undertaken by KPMG Canada:

- The terms of the Proposed Transaction were agreed before KPMG Canada was engaged
- KPMG Canada did not provide any strategic advice in regard to the Proposed Transaction
- KPMG Canada has acknowledged to KPMG that KPMG may rely on the Valuation prepared by KPMG Canada for the purposes of forming an opinion on the Proposed Transaction.

Simultaneous to our appointment as the independent expert, the Boards of MIG appointed KPMG to provide an opinion to the MIG Independent Directors that the benefits flowing to Macquarie entities in connection with the Proposed Transaction would be reasonable in the circumstances if the entities were dealing at arms length.

### ***Interests***

KPMG is entitled to receive a fee for the preparation of this report. Except for this fee, KPMG has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

Employees of KPMG may hold securities in MIG, however, no individual involved in the preparation of this report, or review thereof, holds a direct interest in MIG securities.

### ***Consent***

KPMG consents to the issue of this report by MIG in conjunction with its Notices of Meeting.

Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement without the prior written consent of KPMG to the form and context in which it appears.

### ***Reliance on information***

KPMG has prepared this report on the basis of information available as at the date of this report as set out in Appendix 2. Nothing in this report should be taken to imply that KPMG has verified any information supplied to us, or has in any way carried out an audit of the books of account or other records of MIG for the purposes of this report. We have considered and relied upon information provided by certain directors and senior management of MIG, which after due enquiry, we believe to be reliable, complete and not misleading. We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

We note that any forecasts and projections as supplied to us are based upon assumptions about events and circumstances that have not yet transpired. Accordingly, KPMG cannot provide any assurance that the estimates will be representative of the results, which will actually be achieved during the forecast period.

We note that in completing this report, we have placed significant reliance on the Valuation prepared by KPMG Canada. In the event that these valuations are not considered to be representative of market value then our opinion may alter.

### ***Indemnity***

MIG has indemnified KPMG and its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with this report, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services by KPMG and occasioned by reliance by KPMG on information provided by MIG or its representatives which is subsequently found to be false or misleading or not complete. Complete information is deemed to be information which at the time of completing this report should have



been available to KPMG and would have reasonably been expected to have been made available to KPMG to enable us to form our opinion.

## **Appendix 2 – Sources of information**

In preparing this report we have been provided with and considered the following sources of information:

- Macquarie Infrastructure Group, Analyst Pack 2006
- Macquarie Infrastructure Group, Annual Report 2005 and 2006
- Macquarie Infrastructure Group, Portfolio and Capital Management Review 2006
- Macquarie Infrastructure Group Board minutes and presentations in regard to the Proposed Transaction
- Valuations of the Toll Roads prepared by KPMG Canada, 20 October 2006
- UBS Investment Research, Toll Road Opportunities in the US, 10 August 2006
- Credit Suisse First Boston, Global Investor Digest, US roads: an emerging asset class, 13 May 2005
- Various MIG strategy presentations prepared by US investments banks
- Various ASX company announcements for Macquarie Infrastructure Group
- Various press and media articles relating to Macquarie Infrastructure Group
- Various broker reports relating to Macquarie Infrastructure Group
- Financial information from Bloomberg, Thompson Financial Securities, Aspect Huntley and IRESS.

In addition, we have had discussions with the management of MIG, KPMG Canada as well as MIG's financial advisers and legal advisers to this transaction.

### Appendix 3 – Comparable company information

As previously noted, we employed a levered beta of 0.71 times based on the average levered beta exhibited by non-Asian infrastructure companies, as summarized herein.

**Table 20: Public company betas**

Public infrastructure companies	Levered beta ( $\beta$ lev)
Abertis Infraestructuras S.A	1.01
Autostrade SpA	0.65
Autoroutes Du Sud de La France	0.48
Actividades de Construcción y Servicios, S.A	0.98
Vinci SA	0.76
Cintra	0.89
Societe des Autoroutes Paris-Rhine-Rhone	0.40
Macquarie Infrastructure Group	1.05
Transurban Group	0.70
Companhia de Concessoes Rodoviaras	0.70
Macquarie Infrastructure Co. Trust	0.48
Europistas Concesionaria Espanola SA	0.45
ConnectEast Group	0.67
Obrascon Huarte Lain Brasil S.A	0.68
Australian Infrastructure Fund	0.70
<b>Average</b>	<b>0.71</b>

Source: Bloomberg LP as at September 15, 2006

#### *Abertis Infraestructuras S.A.*

Abertis Infraestructuras, S.A., through its subsidiaries, engages in the management of transport and communications infrastructures. It operates in five segments: Highway Concessions, Car Parks, Logistics Services, Telecommunications and Airports. The Highway Concessions segment engages in the construction, conservation and operation of highways under concession; management of highway concessions in Spain and internationally; and construction of highway infrastructures. The company operates in Spain, Italy, Portugal, the United Kingdom, Sweden, the United States, Argentina, Chile, Colombia, Bolivia, Puerto Rico, Morocco, Costa Rica, South Africa and Andorra. The company was incorporated in 1967 and is based in Barcelona,

#### *Autostrade SpA*

Autostrade S.p.A., through its subsidiaries, engages in the construction and management of toll motorways and connected traffic services in Italy. It manages a motorway network covering approximately 3,408 kilometers. The company also involves in the motorway design and construction site management, as well as monitoring and routine maintenance of road works. Autostrade also operates in Europe, the United States and Austria. The company was founded in 1956 and is headquartered in Rome, Italy. Autostrade S.p.A. is a subsidiary of Schemaventotto S.p.A.

#### *Autoroutes Du Sud de La France*

Autoroutes du Sud de La France engages in financing, building, and operating motorway networks in France. As of June 30, 2005, the company had approximately 2,963 kilometers of motorway in service. The company also operates a 33 kilometers toll motorway on highway 2000 in Jamaica; specializes in building supervised parking lots for heavy vehicles; and sells multimedia traffic information services. The company was founded in 1957 and was formerly known as Autoroute de la Vallee du Rhone. It changed its name to Autoroutes du Sud de la France in 1973. The company is headquartered in Paris, France. As of March 9, 2006, Autoroutes Du Sud de La France is a subsidiary of Vinci SA.

#### *Actividades de Construcción y Servicios, S.A*

Actividades de Construcción y Servicios, S.A. (ACS) engages in the development and management of infrastructures and services worldwide. It primarily constructs infrastructure projects, such as highways, motorways and roads, marine projects, hydraulic works, metropolitan infrastructures, energy power plants, telecommunication systems, airports, ports and waste treatment and purification plants. The company is headquartered in Madrid, Spain.

#### *Vinci SA*

Vinci SA provides concessions, construction and related services. It designs, finances, constructs, engineers, builds, renovates, and maintains transport infrastructure, such as motorways, road structures, car parks and airports, as well as operates them under long-term contracts. Vinci was founded by Alexandre Giros and Louis Loucheur in 1899. The company is based in Rueil- Malmaison, France.

#### *Cintra*

Cintra, S. A. engages in the development and management of transport infrastructures primarily in Spain, Chile, Ireland, Canada, the United States and other European countries. It focuses on toll highways and car parking businesses. The toll highways business involves the design, construction, execution, operation, management, administration and maintenance of various types of public and private infrastructure and projects. This includes the operation and provision of various types of services related to city and intercity transport infrastructure, such as land, sea or air. It manages approximately 17 toll highways in Spain, Portugal, Ireland, Chile, Canada, and the United States, as well as manages 200,000 parking spaces. The company is also a strategic partner of the Trans-Texas Corridor in the United States. Cintra is based in Madrid, Spain. Cintra, S. A. is majority owned by Grupo Ferrovial SA.

#### *Societe des Autoroutes Paris-Rhine-Rhone*

Societe des Autoroutes Paris-Rhine-Rhone, together with its subsidiaries, engages in the construction and operation of motorways and tolls in France. Its motorway network carries traffic between Paris, Lyon and Geneva. The company's network also provides retail facilities, such as service stations, restaurants, hotels and points of sale of regional products. As of December 31, 2005, its network included 2,249 kilometers of motorways and tunnels in service. Societe des Autoroutes serves motorists, telecommunications operators and local communities. The company is based in Paris, France.

### *Macquarie Infrastructure Group*

Macquarie Infrastructure Group (MIG) engages in the investment, development and ownership of infrastructure projects in Australia, Europe, and North America. It constructs and operates toll roads and invests in bridges and tunnels. The company's portfolio of toll roads include South Bay Expressway, Skyway, Dulles Greenway and Indiana Toll Road in the United States; 407 ETR in Canada; Westlink M7 in Australia; M6 Toll in the United Kingdom; APRR in France; Vasco da Gama Bridge and 25th April Bridge in Portugal; and Warnow Tunnel in Germany. MIG is based in Sydney, Australia.

### *Transurban Group*

Transurban Holdings Limited, through its subsidiaries, engages in the ownership and operation of toll roads in Australia. It owns Melbourne CityLink, a 22 kilometre motorway in Melbourne, Australia that connects three urban freeways, the West Gate, Tullamarine, and Monash; and M2 Hills Motorway, a four lane motorway that links the lower north shore and the northwest regions of Sydney, Australia, as well as has 45% interest in Westlink M7, a 40 kilometer motorway in Sydney, Australia. The company's services include traffic management and forecasting, electronic toll collection, customer service, concession management financial management, and project delivery. Transurban Holdings was founded in 1996 and is headquartered in Melbourne, Australia.

### *Companhia de Concessões Rodoviárias (CCR)*

Companhia de Concessões Rodoviárias (CCR) operates toll roads through concessionaires in Brazil. It manages a highway network of approximately 1,452 kilometers. The company controls and manages five concessionaires, including AutoBAN and NovaDutra in the state of Sao Paulo; RodoNorte in Paraná; and Ponte Rio- Niterói and ViaLagos in Rio de Janeiro. CCR, through its subsidiaries, provides various services, including traffic control, inspection and monitoring, as well as medical and mechanical emergency services, toll collection, vehicle weighing and information services. It also offers electronic road toll collection services for state concessions and services for federal concessions and state concessions. The company was founded in 1998 and is headquartered in Sao Paulo, Brazil.

### *Brisa Auto-Estradas de Portugal, S.A*

Brisa Auto-Estradas de Portugal, S.A. engages in the construction, maintenance, and operation of motorways in Portugal. The company operates three road concessions with a total of 1,368 kilometers (km) on 14 motorways. Brisa also owns 80% interest in the Brisal consortium that operates a 92 km concession, as well as the company owns a minority stake in Auto-Estradas do Atlantico, which operates two motorways with a total length of 170 km. The company was founded in 1972 and is headquartered in Cascais, Portugal.

### *Macquarie Infrastructure Company Trust (MICT)*

Macquarie Infrastructure Company Trust (MICT), through its subsidiary, Macquarie Infrastructure Company LLC, engages in the investment, ownership and operation of various

infrastructure in the United States and internationally. It provides airport services, airport parking services, district energy services and toll road services. The company operates the M1-A1 Link Road, or Yorkshire Link, a highway of approximately 19 miles in length that links the M1 and M62 highways south of Leeds and the A1 highway south of Wetherby in England. MICT was founded in 2004 and is based in New York City.

#### *Europistas Concesionaria Espanola*

Europistas Concesionaria Espanola is engaged in the construction, maintenance and administration of motorways. Europistas Concesionaria Espanola SA operates toll roads and complementary fixed facilities to provide services to motor vehicle transportation such as gas stations and restaurants.

#### *ConnectEast Group*

ConnectEast Group engages in the design and construction of a toll road project in Australia. It owns concession to finance, design, construct, maintain and operate an electronic toll road project, EastLink Project in Australia. The EastLink Project comprises approximately 45 km of tolled and untolled freeway-standard road connecting Melbourne's eastern and southeastern suburbs. ConnectEast Group is based in Mount Waverley, Australia.

#### *Obrascon Huarte Lain Brasil S.A*

Obrascon Huarte Lain Brasil S.A. operates as a toll-road concessionaire in Brazil. It owns 100% of Autovias, Centrovias and Intervias concessions with 907 kilometers in operation in Sao Paulo, Brazil. The company was founded in 1998 and is based in Sao Paulo, Brazil. Obrascon Huarte Lain Brasil S.A. is a subsidiary of OHL Concesiones, S.L.

#### *Australian Infrastructure Fund*

Australian Infrastructure Fund operates as a transport infrastructure fund company. Its fund portfolio consists of 18 individual from airports, seaports, toll roads, and the light rail sectors. The company was founded in 1997 and is based in Melbourne, Australia.

**Table 21: Public company multiples**

	Trading Data		Market Capitalization			Enterprise Value Multiples				Equity Multiples		
	Trading Price [1]	O/S Shares (millions)	Common Equity	Net Debt [2]	EV [3]	EBITDA	EBIT	Sales	Book	P-E	P-B	
<b>Non-Asia</b>												
Abertis Infraestructuras S.A.	25.0	569.1	14,241.0	16,449.4	30,690.3	16.5X	25.9X	11.5X	1.5X	23.7X	3.8X	
Autostrade SpA	29.44	571.7	16,829.9	11,593.1	28,423.0	12.9X	15.3X	7.8X	1.8X	17.5X	4.2X	
Autoroutes Du Sud de La France	63.00	231.0	14,551.5	9,226.8	23,778.4	12.9X	18.7X	8.1X	1.8X	27.9X	3.4X	
Actividades de Construcción y Servicios, S.A	45.66	352.9	16,110.6	7,563.0	23,673.6	14.8X	18.4X	1.4X	2.2X	17.7X	4.9X	
Vinci SA	105.76	189.8	20,073.1	2,961.3	23,034.4	8.3X	11.8X	0.9X	2.7X	19.5X	3.7X	
Cintra	13.56	491.1	6,660.2	9,988.2	16,648.4	24.6X	nmf	16.9X	1.5X	nmf	4.6X	
Societe des Autoroutes Paris-Rhin-Rhone	74.26	113.0	8,394.1	6,628.0	15,022.1	12.8X	19.2X	8.1X	1.7X	19.2X	4.1X	
Macquarie Infrastructure Group	2.31	2,475.5	5,713.9	3,092.1	8,806.0	14.3X	17.6X	nmf	1.1X	24.2X	1.2X	
Brisa - Auto-Estradas de Portugal SA	10.51	594.9	6,254.22	-	6,254.2	12.0X	17.1X	8.5X	3.3X	18.2X	3.3X	
Transurban Group	5.30	791.4	4,194.9	2,026.2	6,221.2	16.1X	24.1X	11.9X	1.6X	nmf	2.2X	
Companhia de Concessoes Rodoviaras	9.97	403.1	4,017.7	497.6	4,515.3	9.6X	13.2X	5.4X	4.2X	18.7X	6.8X	
Macquarie Infrastructure Co. Trust	32.26	27.2	877.9	1,047.0	1,924.9	26.6X	nmf	5.4X	1.2X	nmf	1.5X	
Europistas Concesionaria Espanola SA	8.16	134.6	1,098.2	288.9	1,387.1	nmf	19.2X	15.7X	3.0X	nmf	6.6X	
Connecteast Group	0.93	1,217.1	1,134.7	38.9	1,173.6	n/a	nmf	n/a	1.3X	24.8X	1.3X	
Obracon Huarte Lain Brasil S.A.	11.32	68.9	780.0	148.7	928.7	8.1X	14.0X	5.6X	2.3X	23.7X	3.0X	
Australian Infrastructure Fund	1.64	367.1	601.7	(42.7)	559.0	nmf	6.4X	5.7X	0.9X	7.4X	0.9X	
<b>Asia</b>												
Jiangsu Expressway Co. Ltd.	0.56	5,037.7	2,835.2	1,156.3	3,991.6	14.9X	20.0X	10.9X	1.4X	25.6X	1.7X	
Zhejiang Expressway Co. Ltd.	0.66	4,343.1	2,879.6	297.7	3,177.3	8.3X	10.6X	6.4X	1.9X	15.5X	2.0X	
Hopewell Highway Infrastructure Ltd.	0.76	2,888.6	2,197.3	374.7	2,572.0	14.3X	17.3X	12.2X	1.6X	16.5X	1.7X	
Shenzhen Expressway Co. Ltd.	0.54	2,180.7	1,171.3	275.8	1,447.1	12.6X	15.3X	11.1X	1.4X	15.6X	1.5X	
Anhui Expressway Co. Ltd.	0.69	1,658.6	1,142.3	80.7	1,223.0	7.5X	9.3X	6.2X	1.8X	10.6X	1.9X	
Road King Infrastructure Ltd.	1.42	602.7	853.4	144.7	998.1	14.2X	14.3X	nmf	1.2X	14.1X	1.2X	
Sichuan Expressway Co. Ltd.	0.18	2,558.1	453.6	200.1	653.7	7.7X	12.1X	5.2X	0.8X	14.0X	0.7X	
GZI Transport Ltd.	0.47	1,115.1	521.6	57.0	578.6	8.8X	11.2X	10.7X	1.1X	13.2X	1.1X	
Wan Nam International Holdings Ltd.	0.01	594.8	8.7	9.8	18.5	7.5X	10.0X	5.1X	1.1X	11.6X	1.3X	
<b>Non-Asia</b>												
Median			5,984.1	2,493.8	7,530.1	12.9X	17.6X	8.0X	1.7X	19.5X	3.5X	
Average			7,595.9	4,469.2	12,065.0	14.6X	17.0X	8.1X	2.0X	20.3X	3.5X	
<b>Asia</b>												
Median			1,142.3	200.1	1,223.0	8.8X	12.1X	8.5X	1.4X	14.1X	1.5X	
Average			1,340.3	288.5	1,628.9	10.7X	13.3X	8.5X	1.3X	15.2X	1.5X	
<b>Industry</b>												
Median			2,835.2	374.7	3,177.3	12.8X	15.3X	8.0X	1.6X	17.6X	2.0X	
Average			5,343.9	2,964.1	8,308.0	13.0X	15.5X	8.2X	1.8X	18.0X	2.8X	

**Notes**

nmf - Not Meaningful

[1] Trading price as at August 31, 2006

[2] Net Debt = STD + Preferred + Minority Interest

[3] EV = Enterprise Value

**Table 22: Comparable transaction multiples**

\$ Millions	Enterprise Value Multiples						Equity Value Multiples	
	EBITDA	EBIT	Sales	Book Value	P-E Ratio	Price-Book		
	<b>Target</b>	<b>Country</b>	<b>Currency</b>	<b>%</b>	<b>Date</b>	<b>Acquirer</b>	<b>Notes</b>	
	Societe des Autoroutes Paris-Rhin-R	France	EUR	70.2%	12/14/05	Consortium		
	Europistas Concesionaria Espanola S	Spain	EUR	100.0%	6/22/06	Grupo Isolux	[2]	38.6X
	Europistas Concesionaria Espanola S	Spain	EUR	67.6%	8/4/06	Consortium	[2]	30.6X
	Autostade SpA	Italy	EUR	93.3%	4/23/06	Abertis Infraestructuras SA		6.6X
	Societe des Autoroutes du Nord et d	France	EUR	75.7%	12/14/05	Consortium		18.3X
	Societe des Autoroutes du Nord et d	France	EUR	24.3%	2/20/06	Consortium		54.7X
	Autoroutes Du Sud de La France	France	EUR	50.3%	3/9/06	Vinci SA	[3]	3.9X
	Autoroutes Du Sud de La France	France	EUR	26.5%	5/5/06	Vinci SA	[3]	3.1X
	Auto-Estradas do Atlantico SA	Portugal	EUR	40.0%	4/15/05	risa Auto-Estradas de Portugal S		26.6X
	Hills Motorway Group	Australia	USD	100.0%	1/31/05	Transurban Group		n/a
	<b>Industry</b>							
	<b>Median</b>							1.7X
	<b>Average</b>							2.0X
	Notes							
	n/a - Not publicly available							
	[1] Net Debt = LTD + STD - Cash + Preferred Shares + Minority Interest							
	[2] Multiple bids for the same company							
	[3] Converted at a rate of 1.192 USD per EUR exchange rate							
	<b>EBITDA</b>	<b>EBIT</b>	<b>Sales</b>	<b>Book Value</b>	<b>P-E Ratio</b>	<b>Price-Book</b>		
	14.1X	20.0X	8.4X	1.7X	38.6X	4.2X		
	n/a	16.6X	13.7X	2.6X	30.6X	5.5X		
	n/a	19.1X	15.7X	3.0X	36.6X	6.6X		
	11.8X	13.9X	7.1X	1.7X	18.3X	3.5X		
	10.3X	14.7X	8.5X	2.2X	54.7X	11.5X		
	12.1X	19.0X	7.8X	1.8X	42.5X	3.9X		
	12.3X	17.8X	7.7X	1.7X	25.6X	3.1X		
	12.6X	18.2X	7.9X	1.7X	26.6X	3.2X		
	n/a	n/a	n/a	n/a	n/a	n/a		
	16.1X	16.9X	16.9X	n/a	nm f	n/a		
	<b>12.3X</b>	<b>17.8X</b>	<b>8.4X</b>	<b>1.7X</b>	<b>33.6X</b>	<b>4.1X</b>		
	<b>12.7X</b>	<b>17.4X</b>	<b>10.4X</b>	<b>2.0X</b>	<b>34.2X</b>	<b>5.2X</b>		

**Table 23: Comparable transaction IRRs**

Asset	Investment date	Projected IRR
Pocahontas Parkway	May 2006	12.6%
Riverside Freeway	Sep 2002	n/a
State Highway 130	Jun 2006	12.0%
Chicago Skyway (after refinancing)	Aug 2005	12.3%
Chicago Skyway (original acquisition)	Jan 2005	10.7%
Indiana Toll Road	Jun 2006	13.0%
Dulles Greenway	Sep 2005	12.6%
South Bay Expressway	May 2003	15% to 20%
<b>Average</b>		<b>13.0%</b>

