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**Macquarie Infrastructure Group**

Please find attached the MIG Management Information Report for the quarter ended 30 September 2006.

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# Macquarie Infrastructure Group

## Management Information Report

**For the quarter ended  
30 September 2006**

Macquarie Infrastructure Group (MIG) comprises Macquarie Infrastructure Trust (I) ARSN 092 863 780 (MIT(I)), Macquarie Infrastructure Trust (II) ARSN 092 863 548 (MIT(II)) and Macquarie Infrastructure Group International Limited ARBN 112 684 865 (MIGIL).

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

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

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

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

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

# **MIG Management Information Report**

For the quarter ended 30 September 2006

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# MIG Management Information Report

For the quarter ended 30 September 2006

## 1. Overview of MIG

### Assets

Macquarie Infrastructure Group (MIG) is a global investor in toll roads. At 30 September 2006 MIG's portfolio of toll road assets and percentage ownership interest are set out below.

#### MIG's Toll Road Asset Portfolio

As at 30 September 2006

Asset	% Interest	Currency
407 ETR	30.0	CAD
M6 Toll	100.0	GBP
Skyway	45.0	USD
Dulles Greenway	100.0	USD
South Bay Expressway	100.0	USD
Indiana Toll Road	50.0	USD
Eiffarie (APRR)	20.4	EUR
Tagus River Crossings	30.6	EUR
Warnow Tunnel	70.0	EUR
Westlink M7	47.5	AUD
Eastern Distributor	-	AUD
Interlink Roads (M5)	-	AUD
Statewide Roads (M4)	-	AUD

## 2. Basis of Preparation

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

### *Proportional consolidation*

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

### *Actual versus Pro forma*

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

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

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

## **MIG Management Information Report**

For the quarter ended 30 September 2006

### **2. Basis of Preparation (cont'd)**

Specifically:

- Results of the Eastern Distributor, Interlink Roads (M5) and Statewide Roads (M4) have been included up until 31 July 2006, when these assets were demerged from MIG into SRG.
- MIG's additional 2.5% interest in Westlink M7, bringing MIG's total interest in that asset to 47.5%, has been reflected in the asset's actual results from 28 September 2006.
- Prior comparative period actual EBITDA, cash interest and tax numbers for Dulles Greenway have been pro rated based on MIG's September 2005 two-step investment in that asset.
- The results of the Indiana Toll Road, in which MIG acquired a 50.0% interest on 29 June 2006, have been reflected in this report.

#### ***Interest and tax paid***

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

#### ***Corporate interest and expenses***

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

The results of Transtoll, in which MIG had a total interest of 63.7% (61.0% pcp), have been included, below 'EBITDA from assets', in the 'corporate net expense' line in the tables presented overleaf.

#### ***Net debt***

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

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

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

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

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

Reset Convertible Notes (ReCNs), associated with MIG's investment in Westlink M7, are presented as a separate line item.

#### ***Foreign Exchange impact***

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

## **MIG Management Information Report**

For the quarter ended 30 September 2006

### **2. Basis of Preparation (cont'd)**

#### ***Accounting policies***

This report is an aggregation of respective asset accounts prepared under local GAAP. Other than specified in this report no adjustments have been made.

The information contained in this report has been reconciled back to asset company audited financial statements or management accounts, however, the contents of this report have not been the subject of external auditor review.

## MIG Management Information Report

For the quarter ended 30 September 2006

### 3. MIG: Proportionally Consolidated EBITDA – September 2006

#### Actual

MIG	Current Quarter					3 months YTD				
	AUD m				ex FX	AUD m				ex FX
	current	pcp	change	%	%	current	pcp	change	%	%
<b>Traffic % change</b>				127.4%	127.4%				127.4%	127.4%
Operating revenue	334.1	132.6	201.5	152.0%	147.7%	334.1	132.6	201.5	152.0%	147.7%
Operating expenses	(80.3)	(25.6)	(54.7)	213.5%		(80.3)	(25.6)	(54.7)	213.5%	
<b>EBITDA from assets</b>	<b>253.8</b>	<b>107.0</b>	<b>146.9</b>	<b>137.3%</b>	<b>133.7%</b>	<b>253.8</b>	<b>107.0</b>	<b>146.9</b>	<b>137.3%</b>	<b>133.7%</b>
Corporate net expenses	(23.2)	(25.9)	2.6	(10.2%)		(23.2)	(25.9)	2.6	(10.2%)	
<b>EBITDA</b>	<b>230.6</b>	<b>81.1</b>	<b>149.5</b>	<b>184.3%</b>		<b>230.6</b>	<b>81.1</b>	<b>149.5</b>	<b>184.3%</b>	
Net asset interest paid	(101.7)	(56.3)	(45.4)	80.7%		(101.7)	(56.3)	(45.4)	80.7%	
Net corporate interest received	12.0	12.3	(0.3)	(2.3%)		12.0	12.3	(0.3)	(2.3%)	
Net tax paid	(14.0)	(4.2)	(9.8)	235.3%		(14.0)	(4.2)	(9.8)	235.3%	
Asset net debt	12,992.7	5,942.0	7,050.7	118.7%		12,992.7	5,942.0	7,050.7	118.7%	
Corporate net debt	(1,569.7)	(978.1)	(591.7)	60.5%		(1,569.7)	(978.1)	(591.7)	60.5%	
Reset Convertible Notes (ReCNs)	490.0	453.4	36.6	8.1%		490.0	453.4	36.6	8.1%	
<b>Total net debt</b>	<b>11,913.0</b>	<b>5,417.3</b>	<b>6,495.7</b>	<b>119.9%</b>		<b>11,913.0</b>	<b>5,417.3</b>	<b>6,495.7</b>	<b>119.9%</b>	

#### Pro forma

MIG	Current Quarter					3 months YTD				
	AUD m				ex FX	AUD m				ex FX
	current	pcp	change	%	%	current	pcp	change	%	%
<b>Traffic % change</b>				7.3%	7.3%				7.3%	7.3%
Operating revenue	321.6	268.2	53.4	19.9%	15.7%	321.6	268.2	53.4	19.9%	15.7%
Operating expenses	(78.3)	(69.9)	(8.4)	12.0%		(78.3)	(69.9)	(8.4)	12.0%	
<b>EBITDA from assets</b>	<b>243.4</b>	<b>198.3</b>	<b>45.1</b>	<b>22.7%</b>	<b>18.5%</b>	<b>243.4</b>	<b>198.3</b>	<b>45.1</b>	<b>22.7%</b>	<b>18.5%</b>
Corporate net expenses	(23.2)	(25.9)	2.6	(10.1%)		(23.2)	(25.9)	2.6	(10.1%)	
<b>EBITDA</b>	<b>220.1</b>	<b>172.5</b>	<b>47.7</b>	<b>27.7%</b>		<b>220.1</b>	<b>172.5</b>	<b>47.7</b>	<b>27.7%</b>	
Net asset interest paid	(128.1)	(75.8)	(52.3)	69.0%		(128.1)	(75.8)	(52.3)	69.0%	
Net corporate interest received	12.0	12.3	(0.3)	(2.3%)		12.0	12.3	(0.3)	(2.3%)	
Net tax paid	(9.2)	(8.7)	(0.5)	5.9%		(9.2)	(8.7)	(0.5)	5.9%	
Asset net debt	12,992.7	6,975.7	6,017.1	86.3%		12,992.7	6,975.7	6,017.1	86.3%	
Corporate net debt	(1,569.7)	(978.1)	(591.7)	60.5%		(1,569.7)	(978.1)	(591.7)	60.5%	
Reset Convertible Notes (ReCNs)	490.0	453.4	36.6	8.1%		490.0	453.4	36.6	8.1%	
<b>Total net debt</b>	<b>11,913.0</b>	<b>6,451.0</b>	<b>5,462.0</b>	<b>84.7%</b>		<b>11,913.0</b>	<b>6,451.0</b>	<b>5,462.0</b>	<b>84.7%</b>	

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

#### Summary

Traffic, revenue and EBITDA growth for the September 2006 quarter and YTD, when compared to pcp, was dominated by the implications of the acquisitions, a new road opening and a demerger event.

- MIG's 20.4% effective interest in the French motorway network, Autoroutes Paris-Rhin-Rhône (APRR), acquired in February and April 2006, contributed 78.1% to the increase in asset EBITDA.
- MIG's 50.0% interest in the Indiana Toll Road (ITR) was acquired on 29 June 2006 and its results are, for the first time, included in the current period proportionally consolidated EBITDA analysis presented.
- On 15 January 2006, Westlink M7 in Sydney, Australia, was opened to tolled traffic after construction was completed 8 months ahead of schedule. At opening MIG had a 45.0% interest in this project. On 28 September 2006 MIG acquired an additional 2.5% interest in the asset.

## **MIG Management Information Report**

For the quarter ended 30 September 2006

### **3. MIG: Proportionally Consolidated EBITDA – September 2006 (cont'd)**

- In September 2005, MIG made an investment, acquiring an effective 100% economic interest, in the Dulles Greenway, project in Virginia, USA. Results of this investment, fully reflected in the current period, are only part reflected in the pcp.
- The interest in the Eastern Distributor, Statewide Roads (M4) and Interlink Roads (M5) were demerged and separately listed as the Sydney Roads Group (SRG) on 31 July 2006. As a consequence the results of these three assets are not included in pro forma results and are only included for the first month of the current quarter for actual results. In addition, this transaction has had the effect of reducing 30 September 2006 asset net debt by AUD613.3m and further reducing corporate net debt by gross IPO proceeds of AUD122.8m.

#### **Traffic**

MIG's weighted average traffic was up 127.4% for the September quarter and YTD. Underlying traffic for the quarter and YTD was up 7.3%.

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

#### **Revenue**

MIG revenue was up 152.0% for the quarter versus pcp. Underlying revenue was up 19.9% YTD.

The AUD was weaker against foreign currencies in MIG's portfolio for the quarter to 30 September 2006 as compared with pcp. Excluding currency impacts underlying operating revenue was up 15.7% YTD.

MIG experienced effective average toll growth (excluding currency effects) of 7.8% (6.2% real) for the 3 months to 30 September 2006. This growth is largely the result of increases in toll rates, but is also impacted by other factors including changes to the mix of vehicle types and trip patterns.

#### **Operating expenses**

Actual operating expenses increased AUD54.7m (213.5%) for the quarter versus pcp. This is made up of an increase totalling AUD59.6m, attributable to MIG's acquisitions and the opening of Westlink M7 in December 2005, partially offset by a decrease of AUD4.7m due to the SRG demerger.

Operating expenses have been adjusted for non cash items in the case of M6 Toll (Land fund expense), and Dulles Greenway (Easement expense), in aggregate AUD31.5m.

Underlying operating expenses increased by 12.0% in the 3 months to 30 September 2006 against pcp, referable mainly to Westlink M7 and APRR.

#### **EBITDA from assets**

Underlying EBITDA margin increased to 75.7% for the quarter from 73.9% in the pcp. On a pro forma basis the 3 month YTD EBITDA from assets increased by 22.7%. Foreign exchange movements period-on-period had the effect of increasing this metric which, if reported on a normalised basis, was 18.5%. The EBITDA margin increase has been achieved in part through a number of cost control initiatives implemented across the MIG portfolio.

#### **Corporate net expenses**

Corporate net expenses for the quarter decreased AUD2.6m. The management fee for the quarter was AUD4.4m less than pcp as a combined result of MIG's lower market capitalisation and a higher cash balance, on which MIG pays no fee. The reduction in management fee was partly offset by increase of expenses in relation to continuing activities and business opportunities.

## **MIG Management Information Report**

For the quarter ended 30 September 2006

### **3. MIG: Proportionally Consolidated EBITDA – September 2006 (cont'd)**

#### **Net interest and tax paid**

The increase in actual cash interest of AUD45.4m is primarily due to the refinance and swap break costs in connection with the M6 Toll regearing. In addition, interest payment terms on the new project debt resulted in an AUD18.9m payment in the current quarter. Prior to the refinancing, interest payments were made in the June and December quarters. Other cash interest increases resulted from interest payments by APRR (AUD13.3m), Westlink M7 (AUD8.4m) and Indiana Toll Road (AUD 4.8m). These assets did not contribute to pcp cash interest. Offsetting this quarter's increase is the absence of prior period refinancing costs in Skyway (AUD32.2m) and Infrastructure bond interest income received in relation to the Eastern Distributor in July 2006 (AUD26.2m). Infrastructure bond interest is generally recognised on a net basis, i.e. interest income net of interest expense. As a result of the demerger of the Eastern Distributor on 31 July 2006, only the income element of Infrastructure bond interest, which was received prior to demerger date, is reflected. The overall impact on net cash interest of the demerger of the three Australian roads is AUD18.4m.

On a pro forma basis, the 69.0% increase in cash interest comes from the aforementioned M6 Toll refinancing costs, higher cash interest in relation to the Indiana Toll Road (as a result of a the higher debt balance than pcp), cash interest relating to Westlink M7, not recognised prior to commencement of operations in December 2005, and higher period-on-period cash interest paid by 407ETR (AUD3.1m) and APRR (AUD2.3m). This was offset by the absence of prior period refinancing costs in relation to Skyway.

Corporate net cash interest received has decreased AUD0.3m for the quarter despite a higher corporate cash balance. This reflects interest payments (AUD4.9m) relating to the AUD500m drawdown on standby facilities during the quarter used to fund MIG's acquisition of its investment in the Indiana Toll Road. The AUD500m facilities were repaid in full on 25 August 2006, subsequent to completion of the M6 Toll regearing.

Actual cash tax paid increased AUD9.8m (235.3%) for the quarter of which AUD8.8m related to APRR. The increase in cash tax on a pro forma basis for the quarter (5.9%) is also referable to APRR.

#### **Net debt**

69.5% of the AUD6,017.1m increase in pro forma asset net debt is attributable to the acquisition of APRR and the Indiana Toll Road. The regearing of the M6 Toll has contributed a further 19.5% of the increase. The remaining increase is attributable to South Bay Expressway (3.1%), Westlink M7 (2.4%) and 407ETR (2.3%).

Material increases to period-on-period actual net debt at asset level, in addition to APRR (AUD3,662.1m) and the Indiana Toll Road (AUD2,105.2m), include M6 Toll (AUD 1,170.6m), Westlink M7 (AUD208.9m), South Bay Expressway (AUD186.0m), 407 ETR (AUD138.9m), Dulles Greenway (AUD97.1m) and Skyway (AUD55.4m). Total increase in net debt is offset by a decrease of AUD613.3m as a consequence of the demerger of the Eastern Distributor, Interlink Roads (M5) and Statewide Roads (M4).

The reduction in corporate net debt represents an increase in cash balances of AUD96.3m, principally referable to the cash proceeds from the IPO of SRG. Further increases in cash balances have resulted from asset distributions received and returns made on short-term money market investments. Total increase in cash was offset by a AUD37.3m payment, for the acquisition of an additional 2.5% in Westlink M7.

The ReCNs provide funding in connection with MIG's investment in Westlink M7. Interest on the ReCNs accrues at a fixed rate, payable (or capable of capitalisation) semi-annually in arrears.

## MIG Management Information Report

For the quarter ended 30 September 2006

### 4. MIG: Quarterly Traffic and Revenue – September 2006

	2006	September Qtr pcp	Growth
<b>407 ETR</b>			
Av Daily Rev (CAD)	1,321,446	1,281,880	3.1%
VKT (millions)	573,748	568,563	0.9%
Av Workday Trips	368,840	360,263	2.4%
Av Daily Trips	299,698	296,071	1.2%
<b>M6 Toll</b>			
Av Daily Rev (GBP)	168,594	141,651	19.0%
Av Workday Traffic	58,276	49,209	18.4%
Av Non-workday Traffic	46,667	40,227	16.0%
Av All day Traffic	54,742	46,573	17.5%
<b>APRR (Group)</b>			
Toll Revenue (EURm)	457	432	5.9%
LV (VKM millions)	5,244	5,210	0.7%
HV (VKM millions)	827	799	3.5%
<b>Skyway</b>			
Av Daily Rev (USD)	165,048	169,763	(2.8%)
Av Workday Traffic	53,287	55,202	(3.5%)
Av Non-workday Traffic	58,952	59,444	(0.8%)
Av All day Traffic	55,073	56,493	(2.5%)
<b>Greenway</b>			
Av Daily Rev (USD)	150,085	126,034	19.1%
Av Workday Traffic	66,882	72,267	(7.5%)
Av Non-workday Traffic	34,972	37,788	(7.5%)
Av All day Traffic	56,823	61,773	(8.0%)
<b>Indiana Toll Road*</b>			
Av Daily Rev (USD)	410,389	274,154	49.7%
All Days - Ticket	29,912	29,741	0.6%
All Days - Barrier	106,433	110,574	(3.7%)
<b>Westlink M7</b>			
Av Daily Rev	372,161	NA	NA
Av Workday Trips	107,184	NA	NA
Av Daily Trips	96,211	NA	NA
Av Daily Tolloed VKT	1,227,039	NA	NA
Av Daily Travelled VKT	1,483,990	NA	NA
<b>Warnow</b>			
Av All day Traffic	10,947	9,750	12.3%
<b>Lusoponte</b>			
Av Northbound Vasco da Gama	31,868	31,991	(0.4%)
Av Northbound 25th April	83,331	84,261	(1.1%)

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