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**ASX RELEASE**



### **Macquarie Infrastructure Group**

#### **MIG announces Annual Result for 12 months ended 30 June 2008 and Portfolio and Capital Management Initiatives**

Macquarie Infrastructure Group (MIG) today announced its annual financial results for the 12 months ended 30 June 2008. Highlights of the results include:

- Net Profit Attributable to MIG Security Holders of A\$767.3 million
- Solid growth in EBITDA<sup>1</sup> from road assets of A\$834 million, representing an 8.3% increase on the prior corresponding period (pcp), on a proportionately consolidated<sup>2</sup> proforma basis, and an EBITDA margin across the portfolio of 72.9%<sup>3</sup>
- Revenue growth of 7.3% on pcp to A\$1,144.3 million, on a proportionately consolidated proforma basis
- Net Asset Backing (NAB) per security<sup>4</sup> decreased to A\$3.84 from A\$3.89 at 30 June 2007 (from A\$4.59 at 31 December 2007)
- Prudent debt position with a lengthened debt maturity profile and a portfolio debt service coverage ratio (DSCR) of 2.1x as at 30 June 2008
- Distributions of A\$482 million paid to security holders for the 12 month period to 30 June 2008, bringing to A\$4 billion the total distributions returned to security holders since January 2005.

MIG has also today announced portfolio and capital management initiatives that reflect the current strength of the business, and that provide continued balance-sheet strength and capital flexibility in the medium term. These include:

- An on-market buy-back of up to 10% of MIG stapled securities on issue, funded from corporate cash reserves, existing facilities and capital management initiatives
- Commencement of a public process for the sale of MIG's 50% interest in Westlink M7, expected to be concluded by 31 January 2009
- Reaffirmation of MIG's FY2009 distribution guidance at 20 cents per stapled security, expected to be covered 55-65% by proportionate earnings (post corporate expenses)

<sup>1</sup> Earnings Before Interest, Tax, Depreciation and Amortisation.

<sup>2</sup> The traffic, revenue and EBITDA growth rates reported are based on the Proportionate Earnings disclosed in MIG's Management Information Report. Revenue and EBITDA include the contributions of individual assets in the proportion of MIG's equity ownership as at 30 June 2008. Investments disposed of during the pcp have not been included in the analysis.

<sup>3</sup> Calculated using proportionately consolidated revenue and EBITDA from assets for the year to 30 June 2008.

<sup>4</sup> NAB per security before deferred tax balances and excluding minority interests.

## Annual result

During the 12 month period to 30 June 2008 MIG achieved 8.3% growth in EBITDA from assets, 7.3% revenue growth and 1.2% traffic growth across its asset portfolio on pcp. Further, MIG's EBITDA from assets has seen compound annual growth of 13.2%<sup>5</sup> for the past three years with a current portfolio EBITDA margin of 72.9%.

MIG's Chief Executive Officer, Mr John Hughes said, "This is a solid result achieved in challenging economic and market conditions. It shows continued, resilient operational performance from MIG's quality asset portfolio and demonstrates ongoing efficient management of our operations, capital, cash position and balance sheet."

<b>Key results from MIG's Statutory Financial Statements</b>			
	<b>12 months to 30 June 2008</b>	<b>12 months to 30 June 2007</b>	
Net Profit Attributable to MIG Security Holders	\$767.3m	\$1,702.3m	
	<b>As at 30 June 2008</b>	<b>As at 30 June 2007</b>	
Total Assets	\$9,747.1m	\$10,331.5m	
Total MIG Security Holders' Interest	\$5,950.2m	\$6,421.3m	
<b>Key results from MIG's Management Information Report</b>			
<b>Proportionately Consolidated Proforma Financial Performance in brief<sup>6</sup></b>	<b>12 months to 30 June 2008</b>	<b>12 months to 30 June 2007</b>	<b>% Change</b>
Average traffic <sup>7</sup>			1.2%
Operating revenue	\$1,144.3m	\$1,066.7m	7.3%
EBITDA from assets	\$834.0m	\$770.4m	8.3%
<b>Net Asset backing per security (before deferred tax balances)<sup>8</sup></b>	<b>As at 30 June 2008</b>		<b>As at 30 June 2007</b>
Net Asset Backing per Security	\$3.84		\$3.89

## Key Asset Performance

"On the 407ETR revenue and EBITDA increased 13.2% and 14.5% on pcp respectively. This reflects the introduction of sectional tolling in February 2008 and ongoing resilience in urban traffic. Continued growth in the use of transponders, with penetration now at 79%, contributed to an increase in EBITDA margin to 79.2%.

"On the M6 Toll a combination of factors, including higher prior period traffic as a result of significant roadworks on the M6 free road, slowing economic conditions and record fuel prices meant that traffic fell 11.7% on the prior year and revenue was flat. However an ongoing focus on cost control meant that EBITDA increased 2.0% on pcp and EBITDA margins increased 1.9% from 85.6% to 87.5%," Mr Hughes said.

"On APRR revenue increased 5.9% on pcp driven by continued traffic growth of 2.1%, growth in average tolls and lower discounts for heavy goods vehicles.

"Westlink M7 revenue and EBITDA increased 16.4% and 18.1% on pcp respectively driven by ongoing ramp-up in traffic, with average daily traffic up 12.2% on pcp. As announced on 14 August 2008 MIG has exercised its pre-emptive rights to an additional 2.5% stake in Westlink, bringing our interest, ahead of the sales process we have announced today to 50%," Mr Hughes said.

<sup>5</sup> For the 12 month periods from June 2005 to June 2008 on a proportionately consolidated pro-forma basis.

<sup>6</sup> This pro forma proportionately consolidated information includes for the current and prior periods the contribution of individual assets in the proportion of MIG's equity ownership for the 12 months to 30 June 2008. This information has not been prepared in accordance with Accounting Standards. In particular, control considerations applied in the accounting for investments in the Financial Statements have not been applied.

<sup>7</sup> Revenue weighted change in traffic of MIG's underlying investment portfolio.

<sup>8</sup> Net Asset Backing (NAB) per security has been calculated using net assets before deferred tax balances & excluding outside equity interests as detailed in the MIG Aggregated Balance Sheet divided by the number of securities on issue.

“Across the US toll roads, Dulles Greenway, Chicago Skyway, the Indiana Toll Road (ITR) and South Bay Expressway, while traffic was down 7.2% revenue was up 5.9% and EBITDA increased 7.4% on pcp<sup>9</sup>. This growth reflects recent toll initiatives and the impact of electronic tolling on the ITR.”

### Valuations and risk premiums

Net Asset Backing (NAB) per security declined slightly over the 12 month period from \$3.89 at 30 June 2007 to \$3.84 at 30 June 2008. Notably, MIG has increased risk premiums for a number of its key assets, by a weighted average of 0.23% across the portfolio for the 12 month period, to reflect an assessment of the impacts of current economic conditions.

### Portfolio resilience

“Throughout the period there has been continued volatility in credit markets and other macroeconomic influences. In light of this, it is important to note that prior to and throughout this volatility, MIG has had in place significant cash balances at both the corporate and asset level and prudent debt maturity and hedging profiles across its portfolio,” Mr Hughes said.

MIG retains a prudent debt position with an average debt maturity across its asset portfolio of 7 years<sup>10</sup>. MIG also maintains 87%<sup>11</sup> hedging on outstanding debt for the next two years. Adding to this, MIG has a current corporate cash balance of A\$673 million, access to an additional A\$500 million in undrawn facilities, and a prudent portfolio gearing of 50.5%<sup>12</sup>.

A further A\$1.6 billion is held at the assets in cash reserves, generally as part of debt security packages (A\$546 million on a MIG proportionately consolidated basis), contributing to MIG’s portfolio DSCR of 2.1 times<sup>13</sup>.

“Through prudent financial management, MIG continues to have a strong, flexible balance sheet and is well positioned for the future. Looking ahead, MIG’s aim is to maintain a strong capital position with appropriate flexibility. Consequently we have announced today capital management initiatives that reinforce MIG’s financial strength.” Mr Hughes said.

### Westlink M7 sales process

A public sale process for MIG’s 50% interest in Westlink M7 commences today, with financial close anticipated by 31 January 2009. “The completion of a successful ramp-up in traffic and its robust operational performance provides an opportunity for MIG to explore a sale,” Mr Hughes said.

### On-market buy-back

MIG has announced today that it is undertaking an on-market buy-back of up to 10% of its stapled securities. The progress of the on-market buy-back will be dependent upon market conditions and subject to our investment criteria and to suitable investment opportunities which may arise. Funding for the on-market buy-back will come from proceeds from corporate cash reserves, existing facilities and capital management initiatives.

“In the current absence of significant new, accretive investment opportunities, an on-market buy-back was deemed by the boards and management as the most efficient mechanism to return excess capital to security holders,” Mr Hughes said.

An Appendix 3C (announcement of buy-back) in respect of the on-market buy-back has also been lodged with ASX today.

<sup>9</sup> Revenue weighted, excluding South Bay Expressway

<sup>10</sup> Assuming all assets 100% consolidated at 30 June 2008

<sup>11</sup> Assuming all assets proportionately consolidated at 30 June 2008

<sup>12</sup> Enterprise value calculated as net asset backing before deferred tax plus total net debt.

<sup>13</sup> DSCR calculated as (EBITDA from road assets minus corporate expenses)/(net interest expense minus corporate net interest income)

**Distributions**

MIG has paid distributions of A\$482 million, 20 cents per security, to security holders for the 12 month period to 30 June 2008. This brings total distributions to security holders since January 2005 to A\$4 billion.

MIG has reaffirmed distribution guidance of 20 cents per stapled security for FY2009. This is expected to be covered 55% to 65% by proportionate earnings (post corporate expenses).

**Outlook**

From an operational perspective, external economic conditions are expected to remain challenging. However, MIG's boards and management will focus on prudent cost management to augment the expected solid performance of its assets over the next 12 months, to drive continued EBITDA growth for FY2009.

With regard to capital management, MIG looks forward to commencing its on-market buy-back and will focus on a successful outcome for the public sale process for Westlink M7, while continuing to explore options with respect to Lusoponte.

MIG will continue to monitor the market for growth opportunities that meet MIG's investment criteria and which will be accretive to MIG and its security holders.

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