



Macquarie Infrastructure Group

Management Information Report 30 June 2008

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

Macquarie Infrastructure Investment Management Limited (ACN 072 609 271) (AFSL No.241405) (MIIML) is the responsible entity of MIT(I) and MIT(II). MIIML is a wholly owned subsidiary of Macquarie Group Limited (ACN 008 583 542) (MGL).

Macquarie Capital Funds (Europe) Limited (MCFEL) (registered number 3976881) is the adviser of MIGIL. MCFEL is a wholly owned subsidiary of MGL.

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited (ABN 46 008 583 542) (MBL). MBL does not guarantee or provide assurance in respect of the obligations of MIIML or any other entity noted in this document.

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 MCFEL as the adviser of MIGIL are entitled to fees for so acting. MGL and its related corporations (including MIIML and MCFEL) together with their officers and directors and officers and directors of MIGIL may hold stapled securities in MIG from time to time.

Management Information Report

Year ended 30 June 2008

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Year ended 30 June 2008

Overview of MIG

Assets

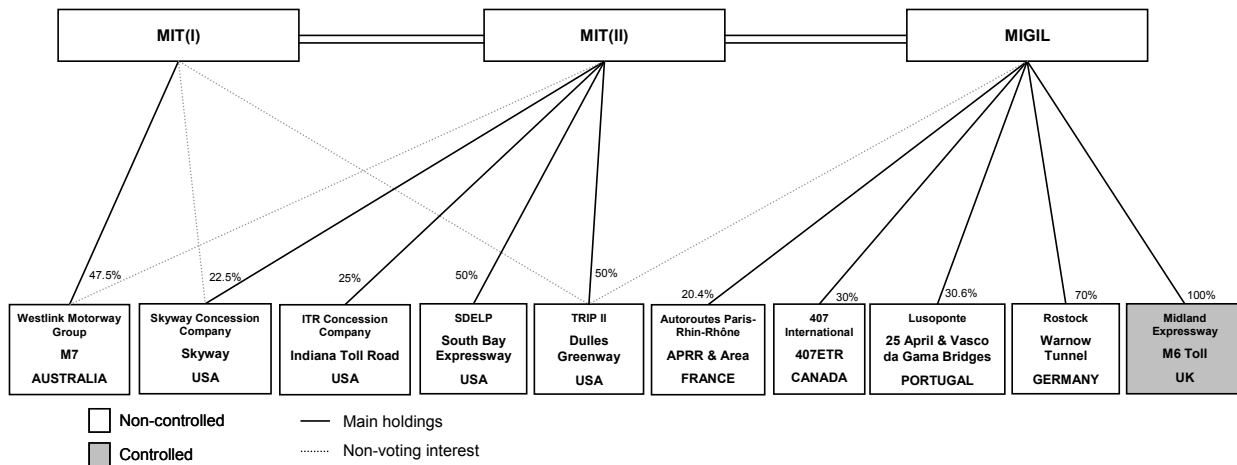
Macquarie Infrastructure Group (MIG) is one of the largest developers and owners of toll roads in the world. As at 30 June 2008 MIG's portfolio of toll road assets and percentage interest were as follows:

Asset	Location	Reporting currency	Date of initial acquisition	MIG's interest as at:	
				30 June 08	30 Jun 07
407 ETR	Canada	CAD	Oct 2004	30.0	30.0
M6 Toll	UK	GBP	Oct 1999	100.0	100.0
APRR	France	EUR	Feb 2006	20.4	20.4
Westlink M7	Australia	AUD	Feb 2003	47.5	47.5
Dulles Greenway ¹	USA	USD	Sep 2005	50.0	50.0
Indiana Toll Road ¹	USA	USD	Jun 2006	25.0	25.0
Chicago Skyway ¹	USA	USD	Jan 2005	22.5	22.5
Tagus River Crossings	Portugal	EUR	Oct 1999	30.6	30.6
South Bay Expressway ¹	USA	USD	Sep 2002	50.0	50.0
Warnow Tunnel	Germany	EUR	Dec 2000	70.0	70.0

Structure

MIG is a triple stapled security listed on the Australian Securities Exchange. Stapled securities are two or more securities that are quoted and traded as if they were a single security. A MIG stapled security consists of a unit in Macquarie Infrastructure Trust (I) (MIT(I)), a unit in Macquarie Infrastructure Trust (II) (MIT(II)) and a share in Macquarie Infrastructure Group International Limited (MIGIL).

The diagram below shows the split of MIG's portfolio of assets between the three MIG stapled entities.



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Year ended 30 June 2008

Report Summary

This Management Information Report (the Report) contains MIG's Proportionate Earnings, Aggregated Balance Sheet, Aggregated Cash Flow Statement and other measures for the year ended 30 June 2008. It has been prepared using policies adopted by the directors of Macquarie Infrastructure Investment Management Limited (MIIML) and, unless stated otherwise, these policies have been consistently applied to all periods presented in this Report.

The purpose of this Report is to provide information supplementary to the Financial Report of MIG. This Report has been prepared on a different basis to the MIG Financial Report. The information contained within this Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and the cash flows of MIG as in the financial report. This Report should be read in conjunction with the financial report of MIG.

Further details in relation to the preparation of this Report are set out in the notes on pages 11 to 17.

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Year ended 30 June 2008

Proportionate Earnings

QUARTER	Actual Results 3 months to 30 Jun 08 \$m	Proforma Results 3 months to 30 Jun 07 \$m	Actual Results 3 months to 30 Jun 07 \$m
Operating revenue	284.7	274.5	280.7
Operating expenses	(74.7)	(71.1)	(71.7)
EBITDA from road assets	210.0	203.4	209.0
Asset maintenance capex	(12.3)	(13.6)	(14.1)
Asset net interest expense	(106.8)	(113.3)	(116.5)
Asset net tax expense	(22.4)	(13.0)	(16.2)
Proportionate earnings from road assets	68.5	63.5	62.2
Corporate net interest income	7.0	25.9	26.0
Corporate net expenses	(21.7)	(22.0)	(21.8)
MIG proportionate earnings	53.8	67.4	66.4
Asset net debt amortisation	(24.5)	(23.9)	(23.7)
MIG proportionate earnings less allowance for net debt amortisation	29.3	43.5	42.7
YEAR TO DATE (YTD)	Actual Results 12 months to 30 Jun 08 \$m	Proforma Results 12 months to 30 Jun 07 \$m	Actual Results 12 months to 30 Jun 07 \$m
Operating revenue	1,144.3	1,066.7	1,161.3
Operating expenses	(310.3)	(296.3)	(318.6)
EBITDA from road assets	834.0	770.4	842.7
Asset maintenance capex	(53.0)	(54.5)	(63.2)
Asset net interest expense	(421.2)	(484.0)	(498.8)
Asset net tax expense	(70.7)	(51.2)	(57.6)
Proportionate earnings from road assets	289.1	180.7	223.1
Gain on sale of road assets	-	-	711.8
Corporate net interest income	57.9	86.7	86.7
Corporate net expenses	(85.4)	(104.3)	(104.1)
MIG proportionate earnings	261.6	163.1	917.5
Asset net debt amortisation	(98.1)	(88.4)	(90.7)
MIG proportionate earnings less allowance for net debt amortisation	163.5	74.7	826.8

The above Proportionate Earnings have been prepared in accordance with Note 1

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Year ended 30 June 2008

Proportionate Earnings per Security (EPS)

	Actual Results 12 months to 30 Jun 08	Actual Results 12 months to 30 Jun 07
Weighted average MIG securities on issue (#'000)	2,438,497	2,557,265
EBITDA per security from road assets (cents)	34.20	32.96
Proportionate EPS from road assets (cents)	11.85	8.73
MIG proportionate EPS (cents)	10.72	35.88

Over the year, MIG's weighted average number of securities on issue has decreased as a result of completion of the AUD1.0bn buyback which commenced on 3 October 2006 and concluded on 14 January 2008. The total number of securities bought back during the year ended 30 June 2008 was 112,957,176. No new MIG securities were issued during the year.

MIG proportionate EPS in the prior corresponding period (pcp) included gains on sale of road assets of AUD711.8m. Further detail on Proportionate Earnings can be found in the Operational Discussion and Analysis on pages 9 to 10.

Proportionate Net Debt

	Actual Results as at 30 Jun 08	Actual Results as at 30 Jun 07
Road assets net debt	10,321.2	10,262.3
Corporate net debt	(910.1)	(1,589.5)
Total net debt	9,411.1	8,672.8

The above Proportionate Net Debt has been prepared as the basis described in Note 1.2

Enterprise Value

	Actual Results as at 30 Jun 08	Actual Results as at 30 Jun 07
Total net debt	9,411.1	8,672.8
MIG Aggregated net assets before deferred tax liabilities	9,225.4	9,779.8
Enterprise Value	18,636.5	18,452.6
Net debt/ Enterprise Value	50.5%	47.0%

The above Enterprise Value has been prepared as the basis described in Note 1.3

Net Asset Backing per Stapled Security

	As at 30 Jun 08 \$	As at 30 Jun 07 \$
Net asset backing per stapled security as per Aggregated Balance Sheet		
Net asset backing per stapled security before deferred tax liabilities	3.84	3.89
Net asset backing per stapled security after deferred tax liabilities	3.77	3.84
	# '000	# '000
Number of stapled securities on issue	2,403,834	2,516,791

The above Net Asset Backing should be read in conjunction with the Aggregated Balance Sheet

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Aggregated Balance Sheet

	Note	As at 30 Jun 08 \$'000	As at 30 Jun 07 \$'000
Investments			
407 ETR		3,295,005	3,039,266
M6 Toll		2,188,290	2,469,186
Financière Eiffarie (APRR)		982,231	909,770
Westlink M7		802,114	760,561
Dulles Greenway		397,504	394,997
Indiana Toll Road		344,356	255,010
Chicago Skyway		235,727	242,984
Tagus River Crossings		187,608	216,967
South Bay Expressway		132,851	161,843
Warnow Tunnel		1,681	2,431
Transtoll		1,701	1,101
Total Investment Portfolio	2	8,569,068	8,454,116
Non-Investment Assets			
Cash and cash equivalents		910,805	1,589,886
Receivables		6,994	17,189
Prepayments		442	414
Total Non-Investment Assets		918,241	1,607,489
Total Assets		9,487,309	10,061,605
Liabilities			
Distribution payable		240,383	251,679
Payables		21,567	23,774
Current tax liabilities		-	6,326
Deferred tax liabilities		172,134	113,570
Total Liabilities		434,084	395,349
Net Assets		9,053,225	9,666,256
Equity			
Share capital		3,591,566	3,956,004
Retained earnings and reserves		5,461,659	5,710,252
Total Equity		9,053,225	9,666,256

The above Aggregated Balance Sheet should be read in conjunction with Notes 1.4 and 2.

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Year ended 30 June 2008

Aggregated Cash Flow Statement

	12 months to 30 Jun 08 \$'000	12 months to 30 Jun 07 \$'000
Cash flow received from assets		
407 ETR – dividend	42,913	35,245
M6 Toll – dividend	62,233	19,657
M6 Toll – dividend from refinance proceeds	-	972,301
Financière Eiffarie (APRR) – dividend	98,706	115,919
Financière Eiffarie (APRR) – interest	22,442	21,179
Westlink M7 – interest	49,578	-
Dulles Greenway – interest	-	6,733
Dulles Greenway – capital return	-	1,104
Indiana Toll Road – capital return	7,938	4,548
Chicago Skyway – capital return	2,473	4,842
Tagus River Crossings – dividend	5,003	5,985
SRG assets – dividend	-	9,004
Total cash flow received from assets	291,286	1,196,517
Other MIG operating cash flows		
Interest received on corporate cash balances	65,790	93,418
Indirect taxes received	10,770	9,921
Other income received	2,712	4,077
Payments to suppliers and employees (inclusive of GST)	(18,675)	(40,926)
Responsible entity and adviser base fees paid (inclusive of GST)	(78,264)	(92,961)
Income taxes paid	(9,221)	(24)
Total MIG operating cash flow including refinancing proceeds	264,398	1,170,022
MIG investing and financing cash flows		
Proceeds from sale of assets		
Proceeds from sale of assets to MIP	-	987,549
Proceeds from demerger of SRG, net of cash disposed	-	108,119
Payments for purchase of investments	(2,975)	(34,648)
Loans advanced to investments	(24,510)	(48,404)
Net external borrowings repaid	-	(230,000)
Borrowing costs paid	(3,888)	(6,558)
On market buyback	(364,438)	(637,212)
DRP proceeds received	-	147,785
Distributions paid	(493,208)	(533,899)
Total MIG investing and financing cash flows	(889,019)	(247,268)
Net (decrease)/increase in cash assets held	(624,621)	922,754
Cash assets at the beginning of the year	1,589,886	785,175
Exchange rate movements	(54,460)	(118,043)
Cash assets at the end of the year	910,805	1,589,886

The above Aggregated Cash Flow Statement should be read in conjunction with Note 1.5.

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Year ended 30 June 2008

Operational Discussion and Analysis

Summary

MIG's underlying revenue and EBITDA from road assets increased 3.7% and 3.2% respectively for the quarter ended 30 June 2008. The growth in revenue and EBITDA was driven by the continued growth at 407 ETR and Westlink M7 during the quarter whilst being offset by lower traffic particularly on the M6 Toll and the US road assets. Overall MIG's underlying traffic was down 1.9% against pcp for the quarter.

On a YTD basis, MIG's underlying traffic, revenue and EBITDA from road assets increased 1.2%, 7.3% and 8.3% respectively.

Traffic

Underlying revenue weighted average traffic decreased 1.9% for the quarter but increased 1.2% YTD. The decline in traffic for the quarter has resulted from lower traffic on the M6 Toll, APRR and the US road assets. As noted in MIG's June 2008 traffic release, traffic on the M6 Toll in the pcp quarter was enhanced by major roadworks on the competing road (the M6). The current quarter sees the end of the growth rates associated with these roadworks. Other factors impacting traffic on MIG's other road assets include the surge in petrol prices, slowdown in national and regional economic activity, improvements to the competing alternative route and the temporary close down of neighbouring road (Route I-65) that acts as a 'feeder route' to Skyway and Indiana Toll Road. Route I-65 is expected to be closed until November 2008 for construction upgrades and this closure will continue to impact traffic through to the December 2008 Quarter.

Actual revenue weighted average traffic decreased 2.2% for the quarter and 4.2% YTD. The YTD decrease in traffic reflects the impact of the SRG demerger which occurred on 1 August 2006 and the 50% divestment of US road assets to MIP on 15 December 2006.

Operating revenue

Underlying operating revenue increased AUD10.2m (3.7%) for the quarter attributable mainly to higher toll rates at APRR, higher toll rates and traffic volume at 407 ETR and Westlink M7 and the opening of South Bay Expressway to tolled traffic on 14 January 2008. On a YTD basis the growth in operating revenue increased AUD77.6m (7.3%) to AUD1,144.3m.

Actual operating revenue increased AUD4.1m (1.4%) for the quarter reflecting impacts of the adverse foreign exchange movements from the strengthening AUD against GBP and USD as compared to the pcp. Together with the impact of the SRG demerger and 50% divestment of US road assets, YTD actual operating revenue was down AUD17.1m (1.5%).

MIG experienced effective average underlying toll growth of 5.8% (2.0% real) for the quarter and 6.0% YTD (3.2% real). 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

Underlying operating expenses increased AUD3.5m (5.1%) for the quarter with the commencement of operations at South Bay Expressway and higher one off expenses relating to APRR.

Actual operating expenses for the quarter increased AUD2.9m (4.2%) against pcp but on a YTD basis decreased AUD8.3m (2.6%) reflecting the impact of the 50% divestment of US road assets and the strengthening of the AUD as mentioned above.

EBITDA from road assets

Underlying EBITDA from road assets increased 3.2% to AUD210.0m for the quarter. Underlying road assets EBITDA margin increased to 72.9% from 72.2% YTD. EBITDA margin for the quarter was impacted by lower traffic. The YTD increase in EBITDA margin has been achieved through revenue growth and a number of cost control initiatives across the MIG portfolio.

Asset maintenance capex

Underlying asset maintenance capex decreased 9.6% for the quarter. On a YTD basis, underlying maintenance capex decreased 2.8%. The basis of calculation of maintenance capex is outlined in Note 1 of this Report.

Asset net interest and tax expense

Underlying asset net interest expense decreased AUD6.5m (5.7%) for the quarter reflecting lower interest expense at the 407 ETR. The underlying YTD decrease of AUD62.8m (13.0%) in net interest expense relates to one off expenses incurred in the pcp in connection with the regearing of M6 Toll and lower interest expense at 407 ETR in the current quarter.

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Operational Discussion and Analysis (cont)

Asset net interest and tax expense (cont)

The decrease of AUD9.7m (8.3%) in actual asset net interest expense for the quarter includes the aforementioned impact of foreign exchange movements. The decrease in actual YTD asset net interest expense of AUD77.6m (15.6%) reflects regearing costs at the M6 Toll in the pcp and impacts of the 50% divestment of US assets and the SRG demerger.

Underlying asset net tax expense for the quarter increased AUD9.4m (72.3%) due to lower expense recognised in the pcp as a result of a large tax charge in 2006 at APRR.

Actual YTD asset net tax expenses increased AUD13.2m (22.7%) due to APRR, offset by the reduction resulting from the SRG demerger.

Gain on sale of road assets

No gain on sale of road assets has been recorded for either the current or pcp quarters as there have been no sales during those periods.

A gain on sale of road assets of AUD711.8m was recognised in the YTD actual pcp comprising the gain on the 50% divestment of MIG's four US road assets (AUD205.8m) and the SRG demerger (AUD506.0m). Further detail on these transactions can be found in the December 2007 Management Information Report.

Corporate net interest income and expenses

During the current quarter MIG increased its beneficial ownership in Transtoll from 59.5% to 98.5%. This ownership increase occurred in three stages, being an additional 35.8% on 6 May 2008, 2.2% on 17 June 2008 and 1% on 30 June 2008, and has resulted in slight variances in net income/expenses at the corporate level between actual and proforma pcp results.

Underlying corporate net interest income decreased AUD19.0m (73.0%) for the quarter as a result of a lower cash balance and one off costs incurred during the current quarter. Underlying YTD corporate net interest income was AUD28.8m lower than the pcp due to a lower cash balance. Details on major corporate cash movements are provided in the proportionate net debt section below.

Underlying corporate net expense decreased AUD0.4m (1.4%) for the quarter due to a reduction in management fee expense as a result of MIG's lower market capitalisation in the current period than the pcp.

Underlying YTD corporate net expense was AUD18.9m (18.1%) lower than the pcp due to one off expenses associated with the 50% divestment of US assets in the pcp, the receipt of one off GST refunds in the current year and a smaller management fee expense in the current period.

Asset net debt amortisation

Underlying asset net debt amortisation increased AUD0.5m (2.5%) for the quarter and AUD9.7m (11.0%) YTD as a result of marginally higher proportionate net debt and EBITDA from road assets as compared to the pcp. The calculation of net debt amortisation is outlined in Note 1 of this Report.

Proportionate net debt (refer page 6)

Actual road asset net debt has increased 0.6% since 30 June 2007. Excluding the impact of foreign exchange movements, MIG's underlying road asset net debt has increased 5.9% for the same period.

The movement in actual corporate net debt was AUD679.3m (42.7%) reflecting a lower cash balance in the current period. Major cash outflows since 30 June 2007 include the on-market buyback of MIG securities (AUD364.4m inclusive of brokerage) and the distribution payments for periods ended 30 June 2007 (AUD251.7m) and 31 December 2007 (AUD241.5m). Cash inflows in the same period include asset distributions and returns made on short-term money market investments.

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Notes to MIG Management Information Report

1. Summary of Significant Policies

The significant policies which have been adopted by the board of MIIML, and used in the preparation of this Report, are stated to assist in a general understanding of this Report. Unless stated otherwise, these policies have been consistently applied to all periods presented in this Report.

PricewaterhouseCoopers (PwC) have been engaged to perform certain procedures for the directors of MIIML in relation to their preparation of the Proportionate Earnings, Aggregated Balance Sheet, Aggregated Cash Flow Statement and other measures including Proportionate Earnings per Security, Proportionate Net Debt, Enterprise Value and Net Asset Backing per Stapled Security disclosed in this Report on the basis set out below. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed by PwC is that of the directors, and these procedures were performed solely to assist the directors of MIIML in evaluating the accuracy of the disclosures.

PwC conducted their engagement in accordance with Australian Auditing Standards applicable to agreed upon procedures engagements. The procedures do not constitute either an audit or review in accordance with Australian Auditing Standards and accordingly PwC express no assurance over the accuracy of the Proportionate Earnings, Aggregated Balance Sheet, Aggregated Cash Flow Statement, Proportionate Earnings per Security, Proportionate Net Debt, Enterprise Value, Net Asset Backing per Stapled Security or on any other aspect of the report.

All information contained in this Report is disclosed in Australian dollars unless stated otherwise.

1.1 Proportionate Earnings

Current and prior period proportionate earnings information contained in this Report involves the aggregation of the financial results of MIG's relevant assets in the relevant proportions that MIG holds beneficial ownership interests. It is calculated as operating assets' revenues less operating assets' expenses, maintenance capital expenditure (maintenance capex), net interest expense, net tax expense, plus earnings or expenses at the MIG corporate level including any gain on sale of road assets, corporate net interest income and corporate expenses including management fees.

Proportionate earnings are disclosed for the current period and the pcp (Actual Results).

Proportionate earnings information for the pcp is also disclosed under a proforma approach. The proforma information is derived by restating the prior period results with the operating assets ownership percentages and foreign currency exchange rates from the current period (Proforma Results). Proforma Results are produced to allow comparisons of the operational performance of road assets between periods, as it removes the impact of changes in ownership interests and foreign currency exchange rates. The term 'underlying' used in the Operational Discussion and Analysis on pages 9 and 10 refers to movements under the proforma approach.

The principal policies adopted in the preparation of proportionate earnings contained in this Report include:

Relevant assets

For an asset to qualify as a relevant asset for inclusion in proportionate earnings from road assets, the asset must be a toll road operator (road asset) in which MIG has management involvement.

As Transtoll is not a road asset, the results of this asset are not included in proportionate earnings from road assets. Instead the results of Transtoll are included at the MIG corporate level.

MIG's relevant road assets include assets presented in the table on page 12 of this Report.

Foreign exchange rates

All proportionate earnings information contained in this Report is disclosed in Australian dollars unless stated otherwise. Actual results are reported at quarterly average foreign currency exchange rates for the respective quarters.

Under the proforma approach, pcp results are restated using quarterly average exchange rates from the current period to remove the impact of changes in foreign currency exchange rates.

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Notes to MIG Management Information Report (cont'd)

1. Summary of Significant Policies (cont'd)

MIG's beneficial ownership interest

The beneficial ownership interest of MIG for each of its road assets is calculated on a weighted average basis according to the number of days in the reporting period during which MIG held a beneficial ownership interest (Beneficial Ownership Interest). Where assets have been sold during the period the Beneficial Ownership Interest is calculated on a weighted average basis according to the number of days from the beginning of the period up to the date of sale. Where assets have been acquired during the period Beneficial Ownership Interest is calculated according to the number of days from the date of initial acquisition to the end of the period.

The Beneficial Ownership Interests of MIG in the roads used in the calculation of proportionate earnings for the current quarter, YTD and pcp are as set out below:

Road asset	Ref	MIG's actual weighted average Beneficial Ownership Interest for:			
		30 Jun 08 QTR	30 Jun 07 QTR	30 Jun 08 YTD	30 Jun 07 YTD
		%	%	%	%
407 ETR		30.0	30.0	30.0	30.0
M6 Toll		100.0	100.0	100.0	100.0
APRR		20.4	20.4	20.4	20.4
Westlink M7	1	47.5	47.5	47.5	46.3
Dulles Greenway	2	50.0	50.0	50.0	74.0
Indiana Toll Road	2	25.0	25.0	25.0	36.8
Chicago Skyway	2	22.5	22.5	22.5	33.6
Tagus River Crossings		30.6	30.6	30.6	30.6
South Bay Expressway	2	50.0	50.0	50.0	74.0
Warnow Tunnel		70.0	70.0	70.0	70.0
Eastern Distributor	3	-	-	-	5.9
M5 South-West Motorway	3	-	-	-	4.2
M4 Motorway	3	-	-	-	4.2

References:

- 1) MIG acquired an additional 2.5% interest in Westlink M7 on 28 September 2006.
- 2) The divestment of 50% of MIG's interests in its four US roads: Dulles Greenway, Chicago Skyway, Indiana Toll Road and South Bay Expressway occurred on 15 December 2006. Up to 14 December 2006, results of the four roads have been reported at MIG's pre-divestment proportionate ownerships.
- 3) Results of the Eastern Distributor, M5 South-West Motorway and M4 Motorway have been included on a pro-rata basis up to and including 31 July 2006.

Operating revenue

Asset revenue is calculated by the aggregation of the product of the Beneficial Ownership Interest and the total revenue of each of MIG's road assets. Revenue is recognised under the local GAAP applicable to each road asset except as stated below.

Lusoponte receives semi-annual payments from the Government of Portugal according to an agreed schedule under the Global Financial Rebalance Agreement (GFRA). For the purpose of this Report, revenue includes the amount received/receivable from the Government for each half year period, rather than the amount reflected within revenue under local GAAP.

Operating expenses

Asset operating expenses are calculated by the aggregation of the product of the Beneficial Ownership Interest and the total operating expenses incurred by each of MIG's road assets. Operating expenses are recognised under the local GAAP applicable to each road asset.

Asset maintenance capex

Due to its nature, asset maintenance capex of road assets may fluctuate significantly from period to period and therefore this report does not reflect the actual timing of cash outflows for maintenance capex. Rather, the proportionate earnings include a provision for future maintenance capex in each period.

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Notes to MIG Management Information Report (cont'd)

1. Summary of Significant Policies (cont'd)

Asset maintenance capex (cont'd)

The level of maintenance capex required is a function of road usage and therefore traffic volume is the driver for determining the provision charged to each period. The calculation allocates the total forecast future maintenance capex for a particular road over the current and all future periods to the end of the toll concession, on the basis of forecast traffic on that road (i.e. not on a straight line basis). Forecasts are reviewed and updated semi-annually to ensure appropriateness of the calculation.

Asset net interest expense

Asset net interest expense is the aggregation of net interest expense incurred by:

- the operator of the road asset; and
- entities interposed between any of the MIG stapled entities and the operator companies, which have debt that is non-recourse to MIG

The definition of net interest expense includes all contractual interest expense, borrowing expenses and interest income payable to, or receivable from, third parties. Interest and borrowing expenses, or interest income, in respect of shareholder loans or similar agreements are excluded from the definition of net interest expense. Interest and borrowing costs that are capitalised and/or amortised are also excluded from the definition of net interest expense. The amount therefore reflects the cash interest payable/receivable in respect of a particular period. In particular, for zero coupon bonds, interest expense is recorded in the year the bond matures.

Asset net tax expense

Tax expense for the purposes of the calculation of asset net tax expense is that current tax expense determined with reference to the local GAAP applicable to each relevant asset. Where tax expense information is not available in the management accounts of a particular road asset, income tax paid or payable by that asset in the relevant year will be reflected rather than current tax expense. Asset net tax expense is made up of the aggregation of the following components:

- the product of the Beneficial Ownership Interest and the net current tax expense of each of MIG's road assets, where the operating company does not, in conjunction with any entities that are majority owned by one or a combination of the MIG stapled entities, form part of a consolidated group for tax purposes (Tax Consolidated Group);
- the product of the Beneficial Ownership Interest in the ultimate holding company in a Tax Consolidated Group and the net current tax expense of the relevant Tax Consolidated Group.

Gain on sale of road assets

As a global investor in toll roads, MIG derives income from the management of its portfolio of road assets which includes the sale of investments. Unless otherwise stated, the gain on sale of road assets is calculated as sales proceeds less the cost of acquisition adjusted for the road assets' proportionate earnings recognised in the Management Information Report from acquisition. Gain on sale of road assets is reported net of any tax arising on the capital gain relevant to the transaction.

Corporate net interest income

Corporate net interest income is the aggregation of net interest income incurred/received by:

- any of the MIG stapled entities;
- entities interposed between any of the MIG stapled entities and the operator companies which have debt that is recourse to MIG; and
- Transtoll

The definition of net interest income includes all contractual interest expense, borrowing expenses and interest income payable to, or receivable from, third parties except:

- Interest and borrowing expenses or interest income in respect of shareholder loans or similar agreements; and
- Interest and borrowing costs that are capitalised and/or amortised.

Management Information Report

Year ended 30 June 2008

Notes to MIG Management Information Report (cont'd)

1. Summary of Significant Policies (cont'd)

Corporate net expenses

Corporate net expenses reflect the aggregation of:

- all expenses paid by MIG (excluding acquisition costs), including base fees and performance fees (to the extent that either or both are payable in cash and subsequently not reinvested in MIG securities);
- MIG's share of expenses from entities interposed between any of the MIG stapled entities and the operator companies not included in the assets' operating expenses;
- current tax expense at the corporate level; and
- all expenses paid by Transtoll net of revenue earned by Transtoll.

Net debt amortisation

Reflective of the fact that net debt at each asset must be repaid prior to concession end, a charge is made to amortise the net debt over the concession life. Net debt amortisation as shown does not reflect actual cash debt repayments for the period, rather, it represents a provision for amounts that will be payable at a later date, prior to concession end. The amortisation charge for each period is determined on a pro-rata basis, with EBITDA as the allocation driver. That is, the net debt, less any amortisation and maintenance capex to date, is allocated over current and future periods to the end of the concession on the basis of forecast EBITDA. Maintenance capex to date is deducted from the net balance in order to avoid a double count, given that funding of maintenance capex increases net debt. EBITDA forecasts are reviewed and updated semi-annually to ensure appropriateness of the calculation. Corporate net debt is not amortised.

1.2 Proportionate Net Debt

Road asset net debt

The net debt of road assets is calculated by the aggregation of:

- MIG's proportionate share of the net debt at each of MIG's road assets including the land fund liability at M6 Toll; and
- MIG's proportionate share of the net debt held by entities interposed between any of MIG's stapled entities and its road assets that is non-recourse to MIG.

Net debt is calculated at each of MIG's road assets by subtracting total cash on hand (including restricted cash holdings) from total debt at the end of the period.

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 better match the payment of interest with increasing revenue (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.

Corporate net debt

Net debt at the corporate level is calculated by the aggregation of:

- all net debt held by MIG stapled entities;
- all net debt held by entities interposed between any of the MIG stapled entities and the road asset companies, excluding debt that is non-recourse to MIG; and
- all net debt held by Transtoll

Corporate net debt is calculated by subtracting total cash on hand from total debt at the end of the period.

Management Information Report

Year ended 30 June 2008

Notes to MIG Management Information Report (cont'd)

1.3 Enterprise Value

Enterprise Value is calculated by aggregating:

- MIG's total net debt
- MIG's net assets before deferred tax liabilities

Total net debt includes net debt at the road assets level and the corporate level as set out in Note 1.2 above. MIG's net assets before deferred tax liabilities can be reconciled to the Aggregated Balance Sheet.

All Enterprise Value information is converted into Australian dollars using foreign currency exchange rates applicable at the end of the relevant period as set out in the table below:

	AUD/CAD	AUD/EUR	AUD/GBP	AUD/USD
As at 30 June 2008	0.9774	0.6086	0.4810	0.9582
As at 30 June 2007	0.9036	0.6265	0.4222	0.8479

1.4 Aggregated Balance Sheet

The Aggregated Balance Sheet represents the aggregation of the balance sheets of each of the MIG stapled entities and their wholly owned subsidiaries, excluding entities that form part of the road operator company groups. All toll road investments are recognised at fair value, unlike the treatment in the MIG Financial Report, where the M6 Toll is consolidated under the historical cost convention. The Aggregated Balance Sheet generates MIG's Net Asset Backing (NAB) per security.

1.5 Aggregated Cash Flow Statement

The Aggregated Cash Flow Statement represents the aggregation of the cash flows attributable to MIG security holders. This includes the cash flows of each of the MIG stapled entities and their wholly owned subsidiaries, excluding entities that form part of the road operator company groups. The Aggregated Cash Flow Statement shows all cash received by MIG from its asset portfolio as well as MIG level corporate cash flows.

All information in this Report relating to the Aggregated Cash Flow Statement is disclosed in Australian dollars using foreign currency exchange rates applicable to the relevant transactions included in Aggregated Cash Flow Statement.

2. Investments

Interests in unlisted securities in companies and trusts	Balance at 30 Jun 07	Investments/ Divestments	Returns from investments	Foreign Exchange Effects	Revaluations	Balance at 30 Jun 08
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
407 ETR	3,039,266	-	(42,913)	(296,101)	594,753	3,295,005
M6 Toll	2,469,186	-	(62,233)	(352,774)	134,111	2,188,290
Financière Eiffarie (APRR)	909,770	-	(121,148)	25,074	168,535	982,231
Westlink M7	760,561	-	(49,578)	-	91,131	802,114
Dulles Greenway	394,997	-	-	(52,800)	55,307	397,504
Indiana Toll Road	255,010	-	(7,938)	(38,429)	135,713	344,356
Chicago Skyway	242,984	-	(2,473)	(33,984)	29,200	235,727
Tagus River Crossings	216,967	-	(5,003)	6,262	(30,618)	187,608
South Bay Expressway	161,843	32,741	-	(23,537)	(38,196)	132,851
Warnow Tunnel	2,431	-	-	65	(815)	1,681
Transtoll	1,101	2,975	-	-	(2,375)	1,701
Total investments	8,454,116	35,716	(291,286)	(766,224)	1,136,746	8,569,068

Management Information Report

Year ended 30 June 2008

Notes to MIG Management Information Report (cont'd)

2. Investments (cont'd)

The values of MIG's road asset investments are determined by the valuation framework adopted by the directors of MIIML. Discounted cash flow analysis is the methodology applied in the valuation framework, as it is the generally accepted methodology for valuing road assets and the basis upon which market participants have derived valuations for specific transactions.

Discounted cash flow is the process of estimating future cash flows, that are expected to be generated by an asset and discounting these cash flows to their present value, by applying an appropriate discount rate. The discount rate applied to the cash flows of a particular asset, comprises the risk free interest rate appropriate to the country in which the asset is located and a risk premium, reflecting the uncertainty associated with the cash flows.

The valuation derived from the discounted cash flow analysis is periodically benchmarked to other sources, such as independent valuations and recent market transactions, to ensure that the discounted cash flow valuation is providing a reliable measure

Management Information Report

Year ended 30 June 2008

Notes to MIG Management Information Report (cont'd)

3. Traffic

	QUARTER (000')			YEAR TO DATE (000')		
	Current	Pcp	Growth	Current	Pcp	Growth
407 ETR¹						
Av Daily Rev (CAD)	1,539	1,442	6.7%	1,477	1,309	12.9%
VKT	576,913	573,258	0.6%	2,279,270	2,170,532	5.0%
Av Workday Trips	389	385	1.0%	379	365	3.9%
Av Daily Trips	323	317	2.0%	312	299	4.3%
M6 Toll						
Av Daily Rev (GBP)	164	168	(2.8%)	160	160	(0.4%)
Av Workday Traffic	47	54	(11.9%)	48	54	(10.5%)
Av Non-workday Traffic	29	36	(20.3%)	32	38	(15.8%)
Av All day Traffic	42	48	(13.2%)	43	49	(11.7%)
APRR (Group)						
Toll Revenue (EUR)	441,000	433,000	1.8%	1,790,200	1,690,000	5.9%
LV (VKM) ²	4,138,000	4,248,000	(2.6%)	17,343,000	16,962,000	2.2%
HV (VKM) ²	909,000	906,000	0.3%	3,575,000	3,529,000	1.3%
Westlink M7³						
Av Daily Rev (AUD)	476	420	13.3%	460	402	14.6%
Av Workday Trips	133	122	8.6%	130	115	12.6%
Av Daily Trips	117	106	10.1%	114	102	12.2%
Av Daily Tolloed VKT	1,489	1,353	10.1%	1,460	1,304	12.0%
Av Daily Travelled VKT	1,788	1,633	9.5%	1,765	1,580	11.7%
Dulles Greenway						
Av Daily Rev (USD)	162	154	5.1%	157	149	5.7%
Av Workday Traffic	64	68	(6.1%)	62	66	(5.6%)
Av Non-workday Traffic	35	38	(7.9%)	34	36	(3.8%)
Av All day Traffic	55	59	(5.9%)	54	57	(5.2%)
Indiana Toll Road						
Av Daily Rev (USD)	421	420	0.3%	398	377	5.6%
All Days – Ticket ⁴	25	26	(5.1%)	25	25	(3.3%)
All Days – Barrier ⁴	70	98	(28.4%)	85	95	(10.8%)
Chicago Skyway						
Av Daily Rev (USD)	165	152	8.9%	154	150	2.8%
Av Workday Traffic	44	51	(14.3%)	46	50	(7.4%)
Av Non-workday Traffic	45	53	(14.9%)	48	51	(6.4%)
Av All day Traffic	44	52	(14.6%)	47	50	(7.1%)
Lusoponte						
Av Northbound Vasco da Gama	31	32	(2.2%)	32	32	0.0%
Av Northbound 25th April	78	79	(1.1%)	78	78	0.3%
South Bay Expressway⁵						
Av Daily Rev (USD)	51	n/a	n/a	53	n/a	n/a
Av Workday Traffic	29	n/a	n/a	29	n/a	n/a
Av Non-workday Traffic	19	n/a	n/a	20	n/a	n/a
Av All day Traffic	26	n/a	n/a	26	n/a	n/a
Warnow Tunnel						
Av All day Traffic	10	11	(2.4%)	10	10	1.4%

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

2 Rounded to the nearest million as per APRR press release.

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

4 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.

5 With regard to South Bay Expressway, traffic data reported relates to period from 14 January to 30 June 2008, i.e. the period for which full tolls were implemented for all vehicles.