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Macquarie Infrastructure Group

MIG announces Full Year Results to 30 June 2007

Macquarie Infrastructure Group (MIG) today announced its full-year financial results for the year ended 30 June 2007. Highlights in this document include:

- Profit Attributable to MIG Security Holders[1] of $1.7 billion, up from $424.7 million in the prior corresponding period (pcp)
- Strong operational performance with proforma traffic, revenue and EBITDA[2] from assets increasing by 6.5%, 15.0% and 22.0% respectively[3] on pcp
- Net Asset Backing (NAB) per MIG security[4] broadly flat since 31 December 2006, moving from $3.92 to $3.89 with significant unfavourable movements in macroeconomic factors during the period. Based on 17 August 2007 macroeconomics, NAB would have been $4.19
- Delivery on Portfolio and Capital Management Review initiatives
- Distributions of $513 million[5] declared, continuing a track record of significant returns to MIG security holders totalling $3.5 billion since CY2005[6]
- Continued implementation of MIG's on-market buy-back, with $306 million remaining of the $1 billion previously announced

Full-year Result

During the period Profit Attributable to MIG Security Holders[1] was $1.7 billion, up from $424.7 million on pcp. This reflects divestments during the year, including the Sydney Roads Group (SRG) demerger and the sale of 50% of MIG's interests in its four US toll roads to Macquarie Infrastructure Partners (MIP), as well as the revaluation of MIG's non-controlled assets.

On a proportionally consolidated basis[7], MIG's proforma EBITDA from its roads increased 22% compared with the prior corresponding period (pcp) to $799.0 million. The double-digit growth in MIG's EBITDA reflects the benefits from the active management of the roads

1 Before finance costs attributable to security holders
2 Earnings before Interest, Tax, Depreciation and Amortisation
3 Traffic, revenue and EBITDA are all proportionately consolidated for the 12 months to 30 June 2007
4 Net Asset Backing (NAB) per security has been calculated using net assets before deferred tax balances as detailed in the MIG Aggregated Balance Sheet, divided by the number of securities on issue.
5 Before Distribution and Dividend Reinvestment Plan participation
6 Total distributions since January 2005
7 This includes the contribution of individual assets in the proportion of MIG's equity ownership at 30 June 2007. Investments disposed of have not been included in the analysis. 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.

within the portfolio, most notably through the increase in the proportionate EBITDA margin to 72.5% from 68.3% on pcp.

The solid underlying performance of the portfolio saw revenue increase by 15% and traffic by 6.5% during the period. Net Asset Backing (NAB) per security declined slightly from $3.92 at 31 December 2006 to $3.89 at 30 June 2007, with significant unfavourable movements in macroeconomic factors during the period. Updating macroeconomics to 17 August 2007 increases NAB to $4.19.

Mr Stephen Allen, Chief Executive Officer of MIG said, “There has been solid traffic and revenue growth across the MIG portfolio with particularly strong contributions from the roads representing the majority of our portfolio, the M6 Toll in the United Kingdom, the 407 ETR in Canada, Autoroutes Paris-Rhin-Rhône (APRR) in France and Westlink M7 in Australia.

“Reflecting the benefits of optimising tolling structures and robust cost control, the 407 ETR and M6 Toll have returned EBITDA increases of 27.5%[8] and 12.7%[8] respectively,” Mr Allen said.

“Underlying operational performance at the M6 Toll is positive and ongoing cost control means that we are also targeting an improving EBITDA margin approaching 90% in FY2008. Traffic in the second half of 2007 is expected to decline, as major roadworks on competing routes had a significant favourable impact on traffic growth for the second half of 2006.

“Revenue and traffic at APRR have grown 8.0%[9] and 3.0%[9] respectively. A focus on operational efficiency has seen improved cost performance. The penetration of automated toll collection for 1H CY2007 has increased by 13.7% to become 56.0% of all transactions.”

In its first year of operation as an integrated, fully electronic section of the Sydney orbital network, Westlink M7 has seen revenue and EBITDA growth of 170.4%[10] and 275.9%[10] respectively, with ongoing traffic ramp-up continuing. There has been solid demand from users and significant industrial and residential growth in the catchment area.

“In the US, focusing on tolling structures and cost control has seen the Indiana Toll Road increase revenue by 41.2%[8] and EBITDA by 56.3%[8], and improved efficiency through the integration of operations with Chicago Skyway. This focus is also evident in Chicago Skyway’s result, with an 11.6%[11] reduction in operating costs for FY2007 resulting from these synergies,” Mr Allen said.

“The tolling schedule for the South Bay Expressway, MIG’s greenfield project in San Diego in the US, was announced in February 2007. Already, some 3,600 tolling transponders have been requested by prospective customers. We anticipate opening the road during 4Q2007.”

Significant activity during the period included:

- The completion of the demerger of MIG’s interest in the mature Australian roads, the Eastern Distributor, M4 and M5. The demerger incorporated an in-specie distribution to MIG security holders and, with the ASX listing of Sydney Roads Group (SRG), gave investors access to a stand-alone portfolio of quality, mature

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[8] For the 12 months to 30 June 2007, compared to pcp and calculated in local currency. MIG proportionately consolidated revenue and EBITDA growth is calculated in AUD.
[9] Based on toll revenue for the 12 months to 30 June 2007, compared to pcp. EBITDA is not reported at this time.
[10] For the 12 months to 30 June 2007 compared to pcp (Westink M7 commenced tolling 16 January 2006)
[11] Pro forma for the six months to 30 June 2007 compared to pcp

assets generating a stable distribution stream. SRG was subsequently acquired, at a significant premium, in an on-market takeover

- Completion of a number of important capital works projects on assets, including lanes added in both directions of a 25km section of the 407 ETR in October 2006 and a lane added in each direction at the western end of the Dulles Greenway in December 2006
- The refinancing of debt in August 2006 in relation to the M6 Toll. The financing has better matched the M6 Toll's capital structure to its operating cashflows over the life of the concession and, through releasing A$1 billion to MIG, had a beneficial impact on MIG's cash position
- Commencement in June 2007, 12 months ahead of the completion deadline, of electronic tolling on the western section of the Indiana Toll Road

"This activity is further evidence of MIG's track record of generating security holder value through the development of its portfolio. Strategic demergers and divestments have all achieved IRRs to MIG of greater than 20%. Operational development, improvement and service delivery are a key part of the range of value-generating activities arising from MIG's active management approach," Mr Allen said.

Financial performance summary

Key Results from MIG's Statutory Financial Statements		
	12 months to 30 June 2007	12 months to 30 June 2006
Net profit attributable to MIG Security Holders[12]	$1,702.2m	$424.7m
Total Assets	$10,331.5m	$12,716.0m
Total MIG Security Holders' Interest	$6,421.3m	$6,316.2m
Net Asset Backing per security	$3.89	$3.92 (as at 31 Dec 2006)

Proportionately Consolidated Proforma Financial Performance in Brief [13]			
	12 months to 30 June 2007	12 months to 30 June 2006	% Change
Average traffic[14]			6.5%
Operating revenue	$1,102.0m	$958.4m	15.0%
EBITDA from assets	$799.0m	$654.9m	22.0%

Delivery on portfolio and capital management review

"Following a period of acquisition in FY2006, the key focus for FY2007 has been on the portfolio and capital management review announced a year ago, delivery on which is evident in these results," Mr Allen said. This focus has seen MIG deliver in the last 12 months on:

- Optimising the performance of its existing portfolio.
- Achieving further alignment of management and security holder interests
- Restructuring its portfolio, through the sale to Macquarie Infrastructure Partners (MIP) of 50% of MIG's interests in its four US toll roads, to better position the business to take advantage of opportunities in the US market

"We also initiated an on-market buy-back, a first for any listed trust in Australia. Recently MIG has been granted relief by the Australian Securities and Investments Commission

[12] Before finance costs attributable to security holders
[13] This is based on the Proportionately Consolidated Financial Performance Summary. This includes the contribution of individual assets in the proportion of MIG's equity ownership as at 30 June 2007. Investments disposed of have not been included in the analysis
[14] Revenue weighted change in traffic of MIG's underlying investment portfolio

(ASIC) to extend the buy-back to 10 August 2008 and, under the terms of the ASIC relief, the maximum price is no longer subject to a NAB ceiling," Mr Allen said.

Portfolio resilience

"Since the end of FY2007 we have seen considerable volatility in credit markets and other macroeconomic conditions. Against this context, it is important to note that a majority of MIG's assets currently have medium-to-long-term debt facilities in place, where the debt is locked in over a period of years. 88% of asset debt in MIG's portfolio has interest rate hedging in place for at least two years, while only 8% of asset debt requires refinancing within the next two years.

"MIG currently has a cash balance of $1.3 billion and proportionately consolidated gearing across the portfolio has dropped over the last 12 months from 54.8% to 47.0%," Mr Allen said.

Positive community impact

"The M6 Toll and Dulles Greenway both participated in the Drive for Charity, where a day's toll proceeds are collected and distributed to worthy causes and organisations in the communities where the roads operate," Mr Allen said. "Drive for Charity has been held for six years and to date nearly $7 million has been raised through this initiative for charities and non-profit organisations in the United Kingdom, the United States and Australia[15].

"MIG roads have also received external recognition for favourable community impacts. In April 2007 the US Department of Transport's Federal Highway Administration named the environmental mitigation programme undertaken for the South Bay Expressway as an Exemplary Ecosystem Initiative – one of only 20 chosen across the US.

"Additionally the Blacktown City Council awarded the Westlink M7 its joint Corporate Citizen of the Year Award in November 2006, for its activities and services in transportation, economic development and sponsorship," Mr Allen said.

Board changes

After more than 10 years of service, Mr Michael Easson has decided to retire from the board of Macquarie Infrastructure Investment Management Limited (MIIML), the responsible entity of the two Australian trusts in MIG. In order to maintain a majority of independent directors, it has been decided to reduce the size of the MIIML board to 5 directors. As such, Mr John Roberts, an Executive Director of Macquarie Bank, will resign from the board, but will become an alternate director for the two Macquarie affiliated directors.

Mr Mark Johnson has agreed to remain as Chair of MIIML. Earlier in the year MIG noted that Mark had decided to retire from his executive responsibilities at Macquarie Bank.

The board would like to acknowledge Michael's significant contribution in the creation and development of MIG.

[15] Sydney Roads Group management continued the Drive for Charity commitment, which began under MIG and has run in Australia for five years, in 2007

Distributions

In June 2007 MIG announced a distribution of 10 cents per stapled MIG security for the half year ending 30 June 2007, bringing the total distribution for FY2007 to 20 cents per stapled MIG security. MIG has provided distribution guidance of 20 cents per security for FY2008. Cashflow from operations, before management fees, is expected to cover 55-65% of FY2008 distributions.

Additionally, an in specie distribution of 38.3333 cents per stapled security was made on 1 August 2006 in relation to the demerger of Sydney Roads Group.

Conclusion and outlook

MIG continues to see significant opportunity for toll road investments in North America, and Europe along with selected opportunities in the Australian market. We will consider these opportunities and selectively pursue them if we believe they generate value for our security holders.

"MIG is confident that the business will continue to perform solidly over the next 12 months, with continued EBITDA growth forecast for FY2008," Mr Allen said.

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