



MACQUARIE

MACQUARIE INFRASTRUCTURE GROUP



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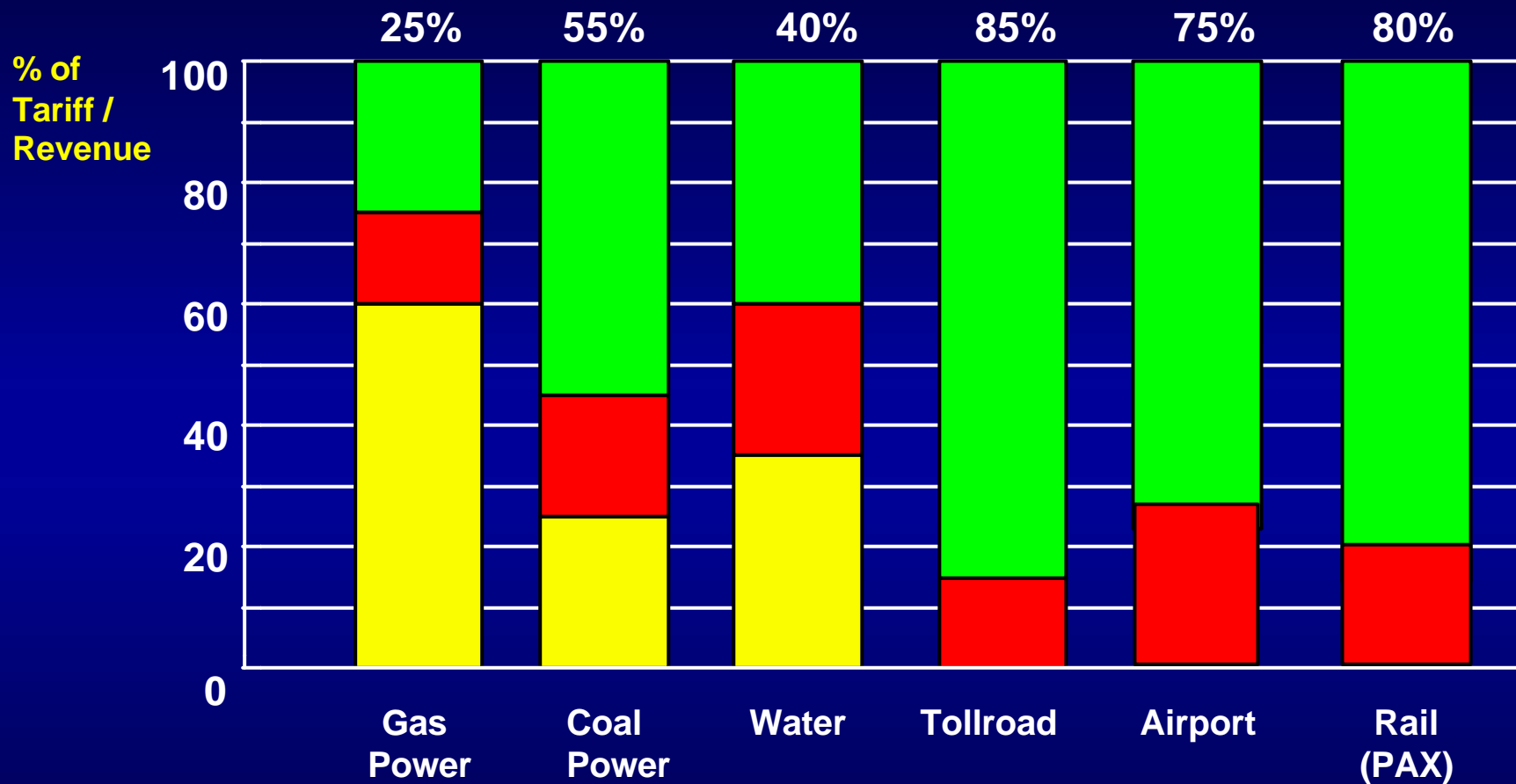
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Major Listed Infrastructure Stocks

| STOCK | ASX CODE | MARKET CAP 25/11/99 | ASSET TYPE |
|------------------------|-------------|------------------------|---|
| AGL | AGL | \$2,972m | Regulated gas/elect. utility |
| Transurban | TCL | \$1,547m | Single toll road |
| Mac. Infrs. Group | MIG | \$1,321m | Diversified trust - predominantly toll roads |
| Energy Developments | ENE | \$862m | Gas To Energy technology from waste & land fills |
| United Energy | UEL | \$812m | Elect. Distributor & Retailer |
| Hills Motorway | HLY | \$662m | Single toll road |



Financing Structure - Asset Classes



Financing

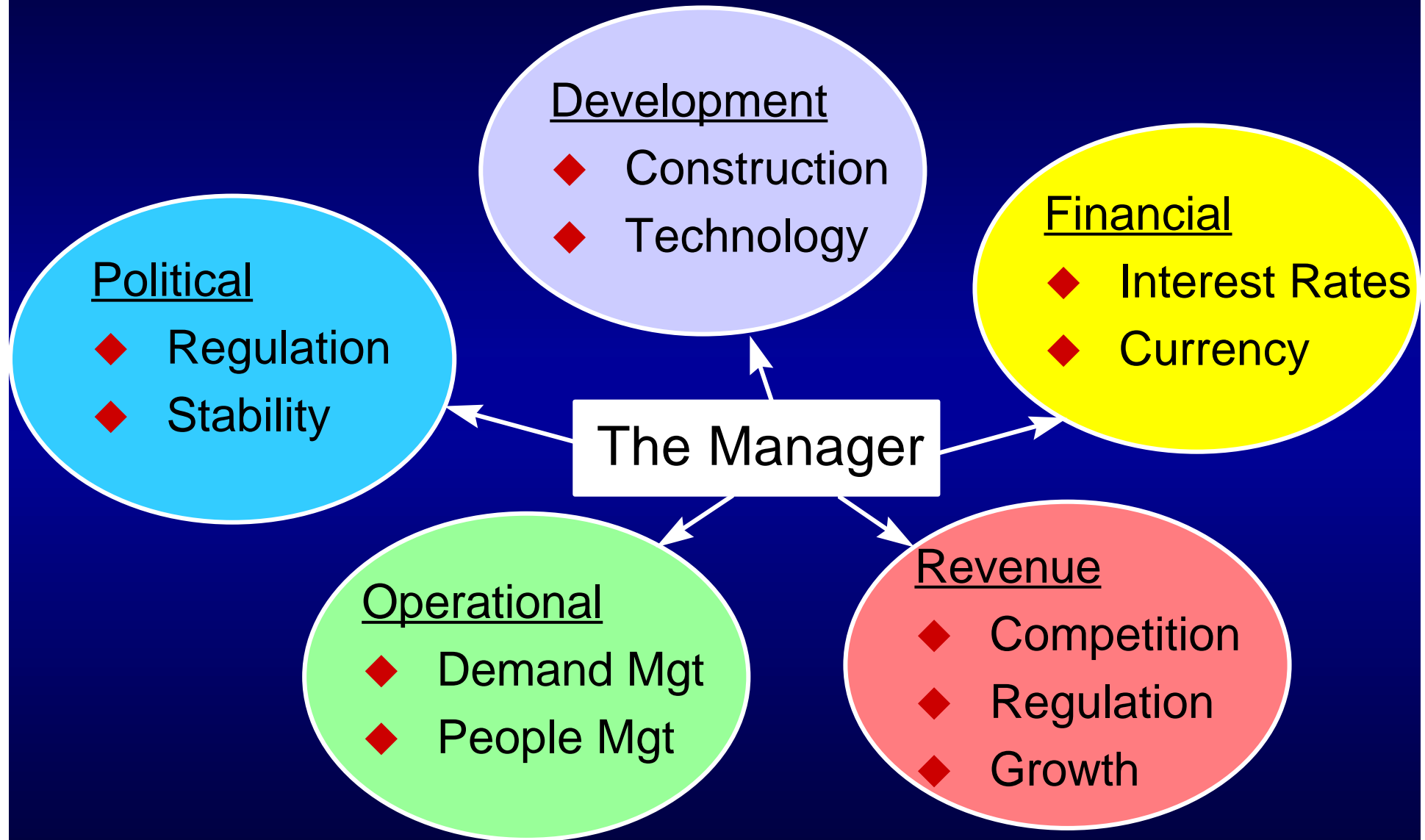
O & M

Fuel/Supplies



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Investment Risks



MIG - Major Developments in 1999

- ◆ **A\$230m Acquisition of Kvaerner assets**
- ◆ **Increase in number of unit holders from 10,000 to 19,000**
- ◆ **Increase in Market Cap. from \$550m to \$1,350m**
- ◆ **Entry into top 100 ASX stocks**
- ◆ **Positioned for the acquisition of a controlling interest in the M4 toll road in Sydney**
- ◆ **Increase in NTA from \$1.13 to \$1.41**



Impact of Ralph Review

“The devil will be in the detail”

- ◆ From July 2001, trusts are to be taxed like companies
- ◆ “Collective Investment Vehicles” are likely to be exempted
- ◆ However, in some situations where stapling exists, CIV may not be exempted
- ◆ MIG expected to be exempted
- ◆ Lower company tax rate will improve the value of all MIG’s Aust. assets
- ◆ Lower CGT rates for individuals



MIG's Half Yearly Results

BECAUSE

We expect that reported profits for the six months to Dec. 99 will be sharply lower and may even result in a loss.

- ◆ There were strong revaluations in the Dec. 98 & June 99 periods
- ◆ Bond rates have increased by around 0.5%
- ◆ The Horizon listing may result in a further write down

HOWEVER

- ◆ The Eastern Distributor will open in December
- ◆ M5 traffic continues to exceed forecasts
- ◆ The European assets have now been acquired



MIG Outlook

- ◆ Distributions for year ending June 2000 will be unaffected by accounting result
- ◆ There is substantial underlying value in the assets
- ◆ With the exception of Horizon, prospects for all other assets are excellent



MIG - Post Acquisitions

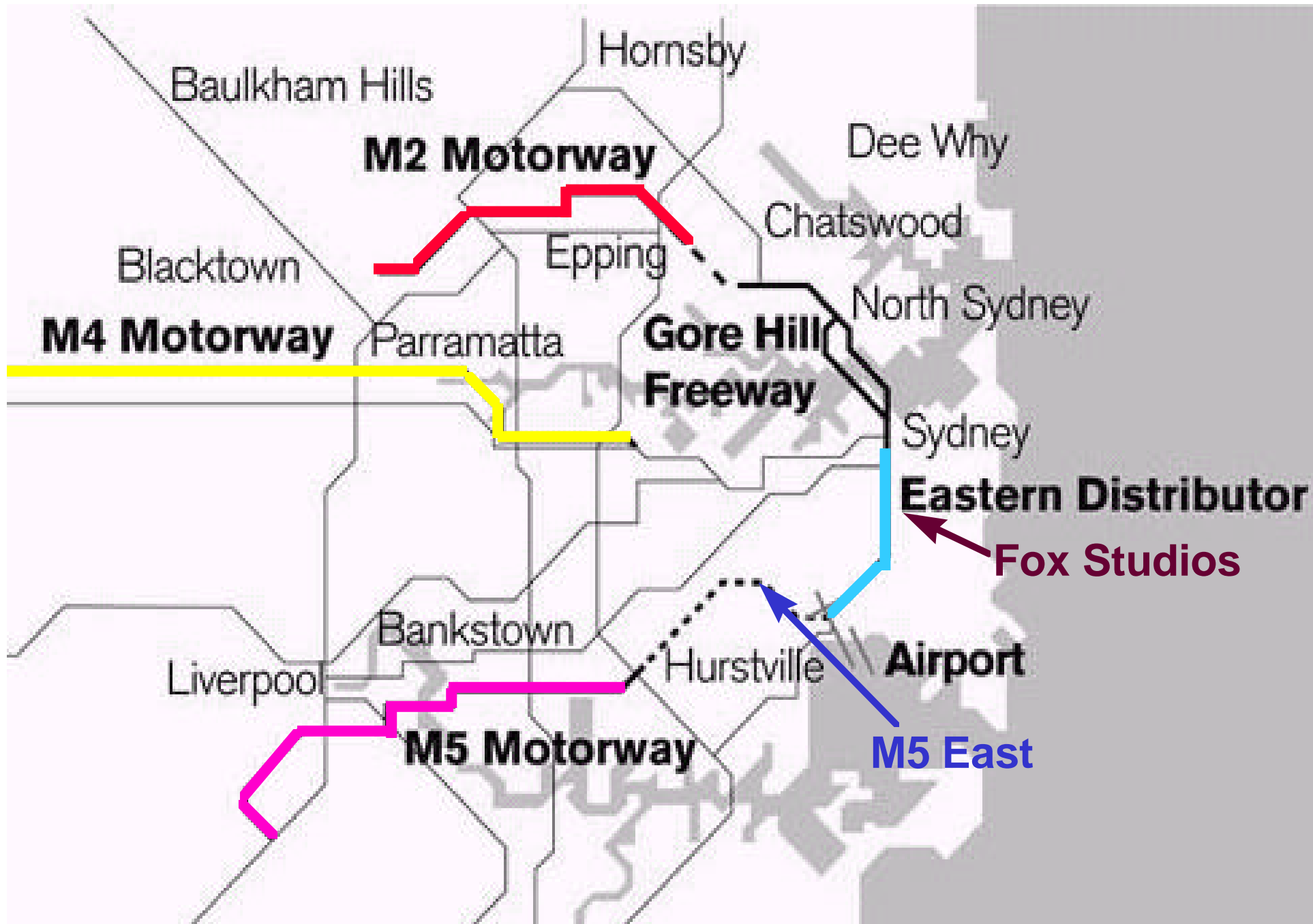
| Asset | Ownership | Value A\$m | Proportion |
|-----------------------|-----------|----------------|---------------|
| Eastern Distributor | 68.4% | 264.6 | 23.9% |
| M5 Motorway | 50% | 192.1 | 17.3% |
| European Toll Roads | NA | 186.7 | 16.8% |
| Loy Yang | 12.7% | 109.9 | 9.9% |
| City Link* | 10.8% | 70.0 | 6.3% |
| Hills Motorway | 8.1% | 62.7 | 5.7% |
| Other European Assets | NA | 25.4 | 2.3% |
| M4 Motorway | 57% | 150.0 | 13.5% |
| Rostock Toll Road | 70.0% | 48.0 | 4.3% |
| | | 1,109.4 | 100.0% |

Based on 30/6/99 valuations for Aust. assets

*economic interest



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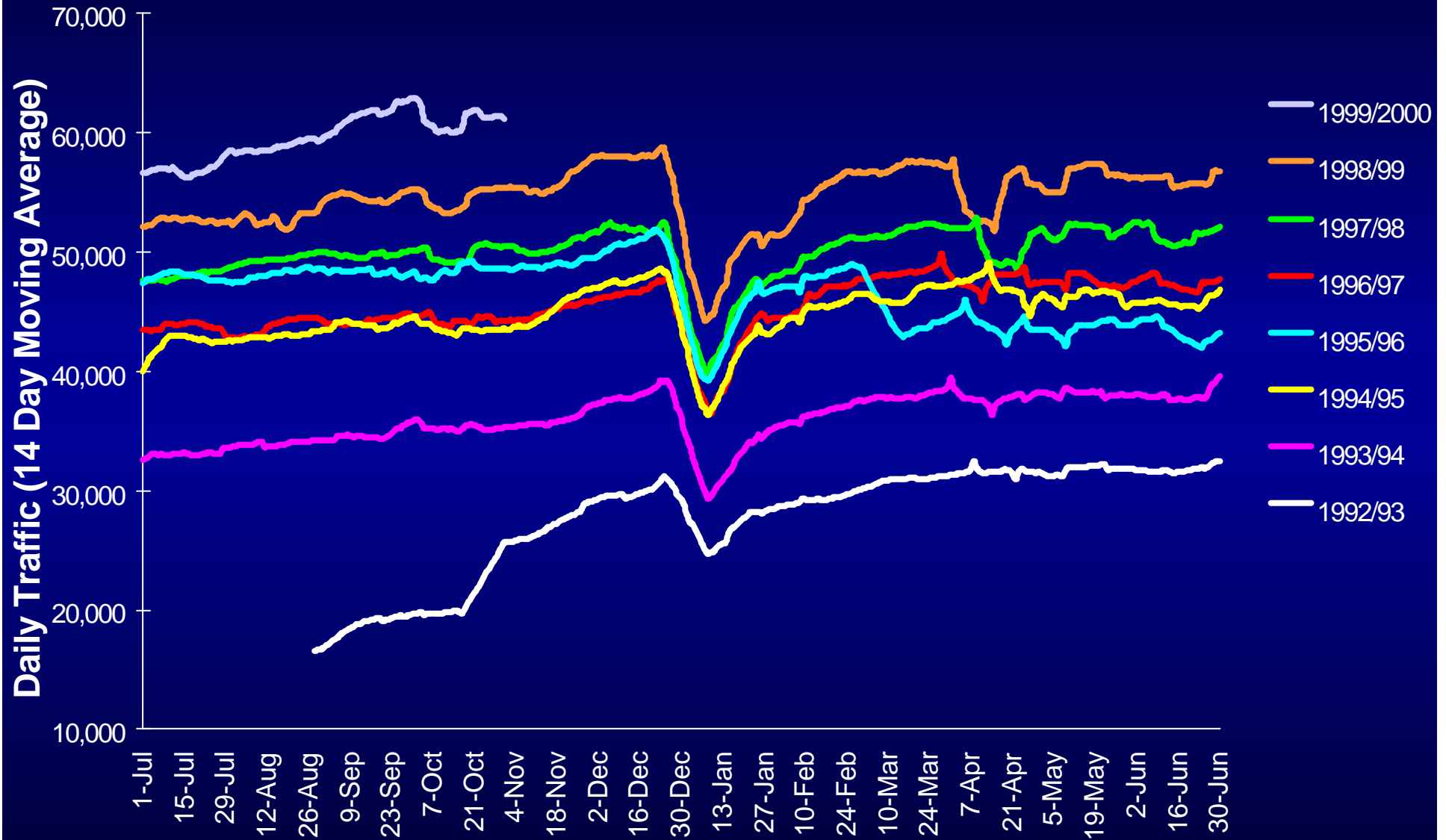
M5 Motorway

22km motorway between
Beverley Hills and
Liverpool in Sydney's
south western suburbs.
Opened August 1992

| | |
|--------------------|---|
| Concession | 2022 |
| Tolls | CPI |
| Ownership | MIG - 50% Various- 50% |
| Traffic | Oct Ave. 60,446 (+10.4%) |
| Max Daily | 73,504 |
| New Factors | - M5 East - 2nd Airport? |

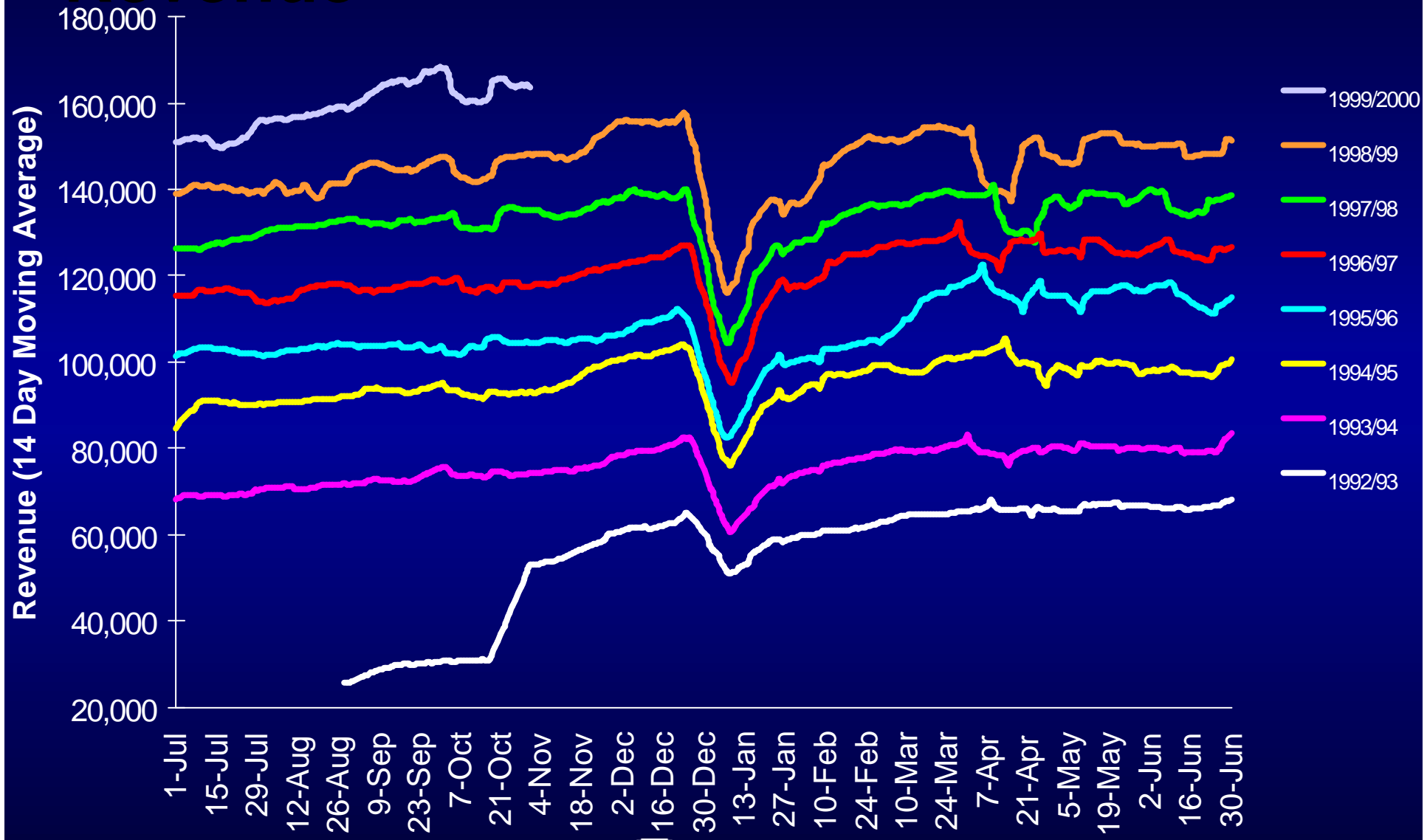


M5 Motorway - Traffic Continues to Grow



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M5 Motorway - Low Volatility of Revenue



Eastern Distributor

6km tunnel &
parkway
connecting
Sydney CBD with
International
airport & southern
suburbs

| | |
|-------------------|---|
| Concession | 2048 |
| Tolls | 4% or CPI/AWE |
| Ownership | MIG 68.4% Unisuper 10.0% Leightons 16.6% MTAA 5.0% |
| Traffic | Forecast 20,000 on opening 42,000 by 2002 |
| Opening | Due 18 August 2000 Expected 19 Dec 1999 |



Eastern Distributor - Unique Advantages

- * No alternative direct route
- * Other indirect routes heavily congested
- * Opportunity to trial with each return journey
- * Reduced dependence on peak hour
- * Support for “traffic calming” measures
- * Commuters pre-conditioned for tolls



Eastern Distributor - Market Research Results

A survey of potential frequent users showed that:

- ◆ 52% earn more than \$75,000 pa
- ◆ 54% have university degrees
- ◆ 76% are 30 years or older
- ◆ approx. 40% are likely to take up transponders in the early stage - very high by world standards



M2 Motorway

*** 21km toll road in north western suburbs of Sydney**

| | |
|--------------------------|--|
| Concession | 44 years to go |
| Toll increases | Greater 4% or CPI |
| Opened | May 1997 |
| Traffic in Oct 99 | 63,747 daily ave. +4.3% over Oct 98 |
| MIG owns | 8.1% |



Melbourne City Link

- ★ Transurban's City Link is Melbourne's first toll road. It is 22 kms around the city and will have the first fully electronic tolling system in Australia

| | |
|-------------------|---|
| Concession | 2034 |
| Traffic | Ave. 110,000 per day through 8 separate toll zones |
| MIG owns | Economic interest of 10.8% \$50m payable Dec 99 Further payment Dec 01 |



Loy Yang

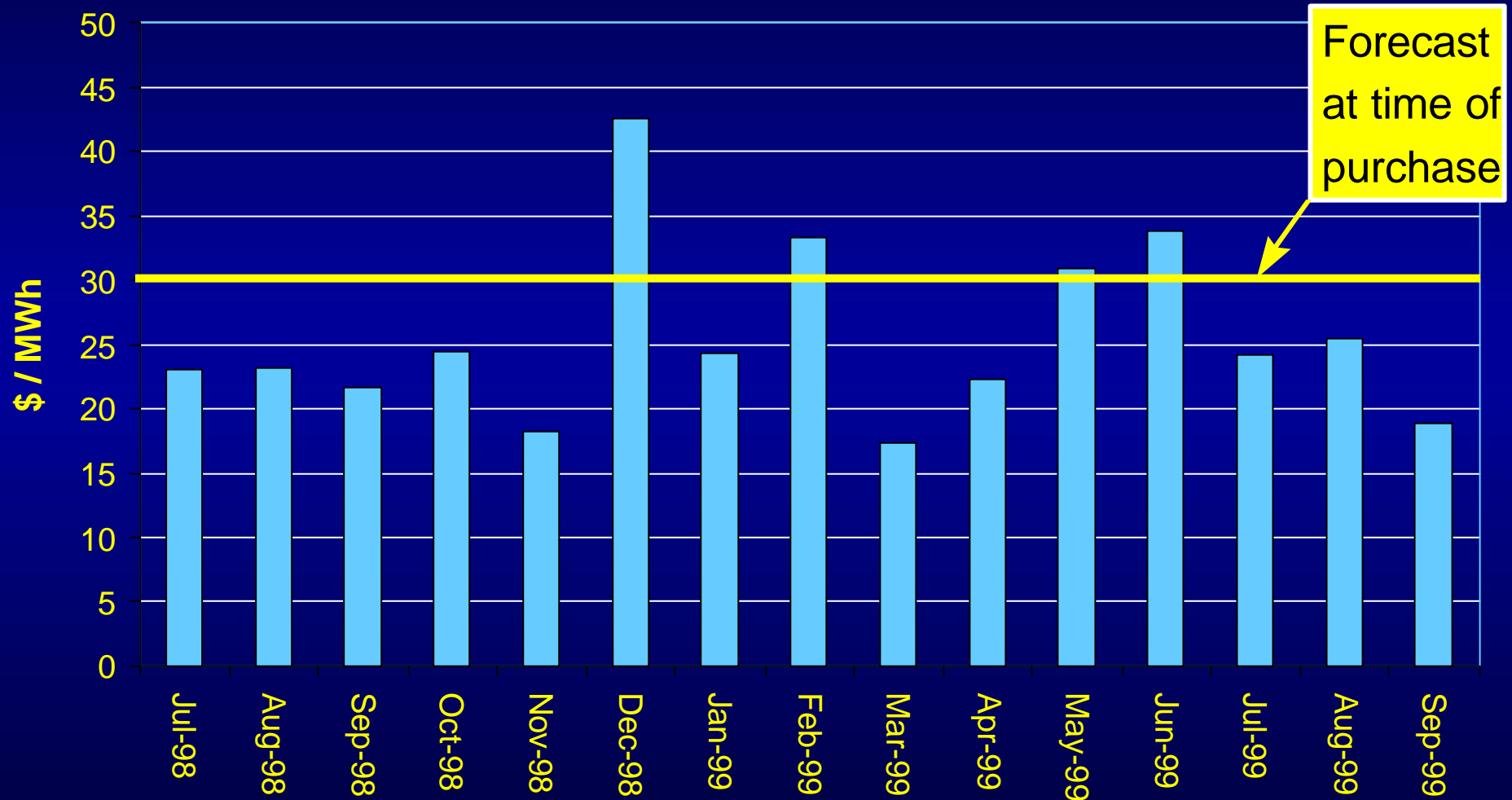
| | |
|-----------|---|
| Ownership | Horizon 25.0% CMS 49.6% NRG 25.4% |
| MIG owns | 50.7% of Horizon |

Loy Yang is the
3rd largest power
station in Australia
and the largest in
Victoria



Victorian Power Prices

VIC MONTHLY AVERAGE POOL PRICE



Horizon - Outlook

- ◆ Compliance listing on ASX in second half of Dec 99
- ◆ MIG has written down original investment to 65 cents in \$1
- ◆ MIG will not be selling on market
- ◆ MIG's valuation going forward will be based on market price of Horizon equity
- ◆ Stock will be illiquid and with small market capitalisation
- ◆ Distributions unlikely until 2008



Kvaerner Purchase

- ◆ MIG purchased 7 assets from Kvaerner ASA
- ◆ These are sought-after assets acquired through exclusively mandated negotiations
- ◆ Tollroads are 88% of ascribed value
- ◆ 6 assets located in UK; one in Portugal
- ◆ Acquisition cost approx. A\$230 million
- ◆ Forecast post tax IRR in Australia = 12.5%



Kvaerner Asset Outline

| Asset | MIG Share | Description |
|----------------------------------|-----------|---------------------------------------|
| Midland Expressway, England | 50% | Pre Financial Close Toll Road |
| Tagus Crossing, Portugal | 24.8% | Operating Toll Bridges |
| Yorkshire Link, England | 50% | Operational Shadow Toll Road |
| Dartford River Crossings, London | Na# | Operational Toll Bridges/Tunnel |
| Ministry Of Defence HQ, London | 26.7% | Pre Financial Close PFI Building |
| Queen Elizabeth Hospital, London | 50% | Under Construction PFI Building |
| Dundee Energy Plant, Scotland | 50%* | Operational Waste Burning Incinerator |

*Economic interest

service agreement

Midland Expressway, Birmingham

- ◆ The UK's first user-tolled motorway (other than bridges/tunnels)
- ◆ 44km expressway near Birmingham designed to relieve one of the most congested roads in the UK , the M6 where delays of around 90 minutes are common
- ◆ Financial close expected in 2000 following lengthy development phase
- ◆ 53 year post financial close Concession Agreement was signed in 1992
- ◆ Planning & public enquiry/appeals process is substantially complete. Approx. \$100m spent already



Midland Expressway, Birmingham

(cont)

- ◆ Tolls increased entirely at discretion of concession company
- ◆ MIG owns 50%; other 50% owned by Autostrade, the world's largest tollroad operator
- ◆ Funding structure under development
- ◆ MIG to fund 50% of future equity requirements
- ◆ More than 40,000 Average Daily Traffic (ADT) forecast in first year



Yorkshire Link, Leeds

- ◆ 30km shadow toll road near the city of Leeds
- ◆ Largest Design Build Finance Operate (DBFO) shadow tolled project in UK to date
- ◆ Concession agreement signed March 1996; road opened February 1999
- ◆ Concession expires March 2026 (30 years)
- ◆ MIG owns 50%; other 50% owned by construction contractor Balfour Beatty
- ◆ 560,000 “hits” per day on 9 “tolling points” ie, estimated about 80,000 ADT



Tagus Crossing, Central Lisbon, Portugal

- ◆ In 1994, Concession granted to Lusoponte to develop a second tolled crossing of the Tagus River estuary
- ◆ Lusoponte constructed an 18km crossing including 10 km Vasco da Gama bridge - opened March 1998
- ◆ Final link in the circular Lisbon road network and a link in a new access route to Spain
- ◆ Tolls collected on new bridge crossing and older “25th of April” bridge owned by Government
- ◆ Monopoly rights over development of any new crossing in Lisbon



Tagus Crossing, Central Lisbon Portugal (cont)

- ◆ Concession forecast to end 2022
- ◆ Currently 42,000 ADT on Vasco da Gama Bridge & 140,000 ADT on 25th of April Bridge
- ◆ Tolls increase with CPI annually (currently approx A\$1.20 on the old & A\$2.65 on the new bridge)
- ◆ Government sets the tolls on the old bridge and pays Lusoponte the differential between actual toll rate & financial model assumption
- ◆ MIG owns 24.8%, Campenon Bernard (French contractor) 24.8%, and 5 Portuguese contractors 50.4%



Dartford River Crossing, London

- ◆ Combined bridge and two tunnel crossings of Thames River, London
- ◆ Latest stage opened in 1988
- ◆ 50 million vehicles per annum - the busiest tolled river crossing in Europe
- ◆ Concession to expire in 2002 when debt repaid but extensions may be possible
- ◆ Project totally debt funded
- ◆ MIG acquired rights in relation to management contracts only



Queen Elizabeth Hospital, Greenwich, London

- ◆ **PFI redevelopment and management contract**
- ◆ **Contract to build four new buildings and provide non-clinical operations and maintenance services which are fully sub-contracted out**
- ◆ **30 year operating concession with 15 & 30 year options**
- ◆ **Construction began May 1998. Expected completion December 2000.**
- ◆ **MIG owns 50%, other 50% by unlisted UK infrastructure fund Innisfree**
- ◆ **Total project cost approx. A\$260m**



Ministry of Defence HQ, London

- ◆ PFI development
- ◆ Move MoD staff out of Whitehall, refurbish the building, and return staff
- ◆ Then maintain the building and 6 other Central London offices for 30 year operating concession
- ◆ Project cost approx A\$1000m
- ◆ Financial close expected early 2000
- ◆ MIG to own 26.7%; Amey 19.9%; Hyder 40.0%; Innisfree 13.4%



Dundee Waste to Energy, Scotland

- ◆ Opened October 1999
- ◆ Principally to burn municipal waste and produce 8.3MW of electricity
- ◆ MIG & BICC (the contractor) to have a 50% economic interest
- ◆ Financing structure comprises shareholder equity & sub-debt & bank & institutional senior debt
- ◆ 78% of forecast revenue based on signed long term contracts for waste disposal with local authorities
- ◆ 15 year electricity sale contract at £32 per MWh



Management Approach to European Assets

- ◆ MIIML has stationed 6 Australian executives in London and employed 2 additional staff
- ◆ John Roberts (Divisional Director) now running Macquarie European Infrastructure Limited
- ◆ 25 staff employed by KCD & KI have been retained
- ◆ In line with existing policy, no currency hedging proposed



M4 Acquisition

- ◆ Offer to acquire 47- 50% of equity in Statewide Roads - exclusivity in place with price agreed
- ◆ Base case modelling shows post tax IRR in excess of 9%
- ◆ Cashflows will be 100% franked dividends
- ◆ Cash yield at average 12.5% pa for the first five years - then increasing

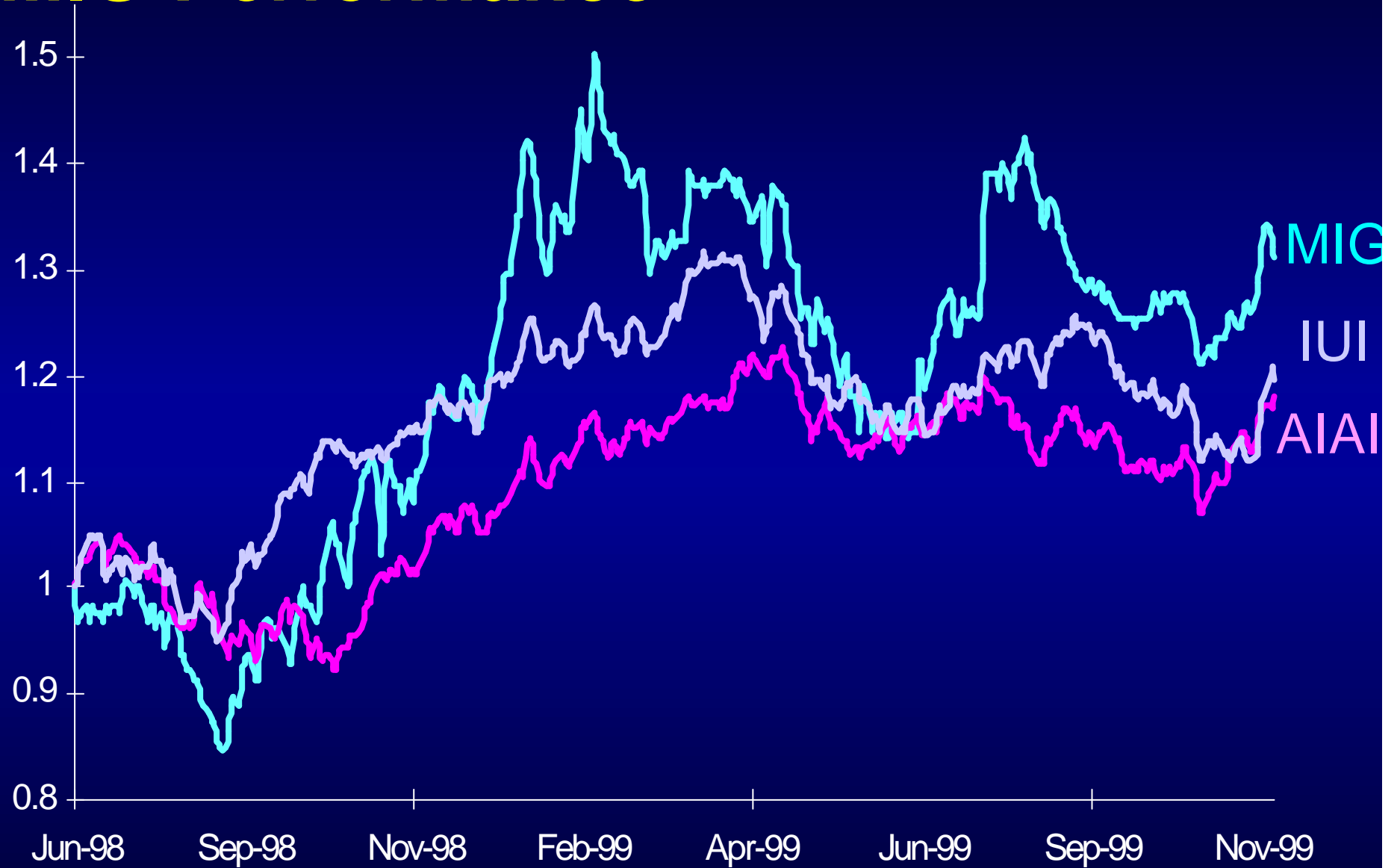


Rostock Toll Road, Germany

- ◆ First German BOOT project
- ◆ Equity contribution to be DEM 63 million (about \$53 million) - 70% interest
- ◆ 30 year concession
- ◆ Tolls increase by CPI unless IRR < 17% then unregulated
- ◆ Financial close in next three months
- ◆ Expected IRR - 16%



MIG Performance



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MIG Track Record

| Investment | Date of Inception / Acquisition | Return (p.a.)* since inception |
|--|--|---|
| Macquarie Infrastructure Group | Dec 96 | 25% |
| Hills Motorway | Sep 96 | 71% |
| Transurban City Link | Sep 96 | 43% |
| Airport Motorway (Eastern Distributor) | Aug 97 | 57% |
| Interlink Roads (M5) | Sep 96 | 42% |
| Horizon Energy (Loy Yang) | May 97 | -16% |

* to 30 Sept 99

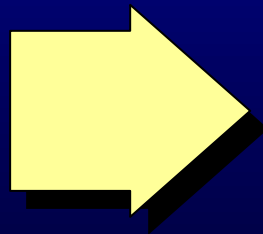
* to September 1999, based on MIG valuations



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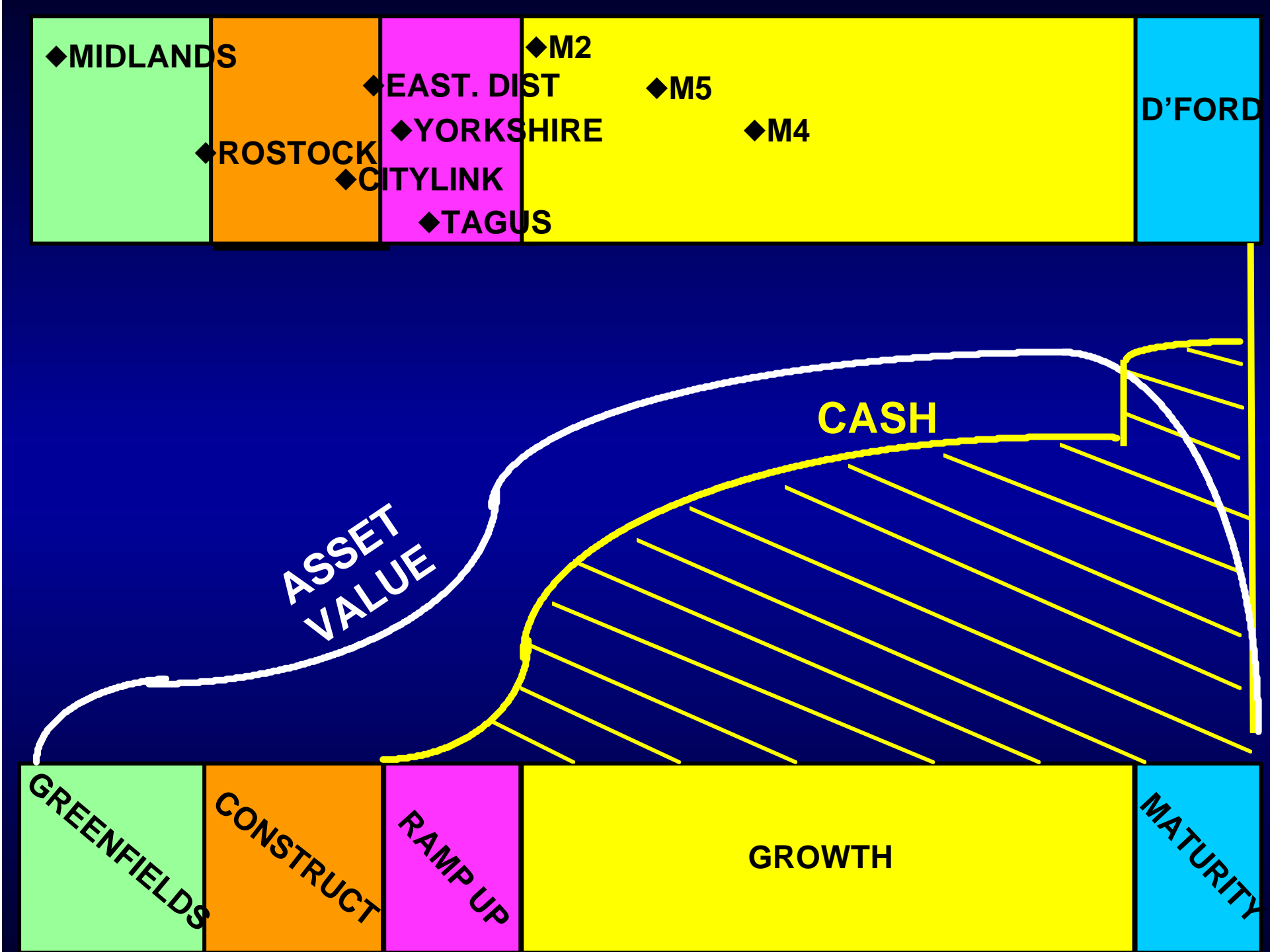
Changing Risk Profile - Roads

| Construction Period | Initial period of operation | Asset is fully operational |
|--|--|------------------------------------|
| <i>Risks</i> Construction Time Ramp Up Natural Traffic Level | <i>Risks</i> Ramp Up Natural Traffic Level | <i>Risks</i> Impacts on Traffic |
| Risk Premium 6 - 8% | Risk Premium 4 - 5% | Risk Premium 1 - 2% |



Assets are likely to be re-rated as they mature.





MIG's Strategic Strength

- ◆ MIG has a spread of toll road assets ranging from Greenfields to Mature
- ◆ This gives MIG both
 - **strong long term cash flows** and
 - **significant rerating potential**
- ◆ MIG is a growth stock with strong defensive characteristics



Future of MIG

It has been suggested that MIG should be a closed Fund or that a commitment be made not to acquire new assets for a number of years

The Manager believes that:

- Assets should only be acquired if they improve the return of the fund
- Such opportunities are becoming increasingly rare
- Investing is often opportunistic, eg Kvaerner
- MIG has outperformed the market even while undertaking a significant capital raising

