



**MACQUARIE INFRASTRUCTURE GROUP**  
INTERIM REPORT FOR THE PERIOD ENDED  
31 DECEMBER 2007



MACQUARIE

# CEO'S REPORT

WE BELIEVE THE BUSINESS CONTINUES TO HAVE STRONG GROWTH PROSPECTS FOR 2008. THIS IS DUE TO THE SOUND UNDERLYING PERFORMANCE OF OUR PORTFOLIO OF ASSETS, AN EXPERIENCED ACTIVE MANAGEMENT APPROACH, AND THE POSITIVE EFFECT THAT ONGOING INITIATIVES IMPLEMENTED DURING THE PERIOD WILL HAVE ON POSITIONING THE BUSINESS FOR THE FUTURE.

The six months to 31 December 2007 have been a busy period for MIG.

In November 2007 the 14km South Bay Expressway (SBX) opened to traffic. The road represents an important link in the San Diego highway system, having been highly anticipated by the South Bay community as a means of relieving traffic congestion and providing a catalyst for further social and economic growth in the region. SBX was MIG's first acquisition in the United States – our initial interest was acquired in 2002 – and it is the first public-private partnership transportation project in California since 1995.

A current key issue facing financial markets is the continuing volatility in credit markets first seen in the second half of 2007. Against this context, security holders should note that MIG has more than a decade of experience in managing debt for toll road assets. Importantly, credit markets have continued to support quality assets with favourable refinancing terms, as demonstrated by the terms obtained for the recent refinancings at 407 ETR and APRR, and the early release of Westlink M7's ramp up and other cash reserves. In addition, MIG does not have any major scheduled refinancing requirements until FY2013.

During the period I was appointed CEO of MIG, replacing Stephen Allen. I joined Macquarie in 1997 and have over 17 years experience specialising in infrastructure and project finance including, in particular, MIG's successful bid for Westlink M7.

Announcing this transition at MIG's annual general meeting (AGM) in November 2007, MIG Chairman Mark Johnson thanked Stephen Allen – who had held the position since April 2003 – for his contribution to MIG. Mark noted the significant achievements under Stephen's leadership, including the opening of the first tolled motorway in the UK, the IPO of MIG's investment in a major Spanish toll road company, the first lease of an existing toll road in the US, the acquisition of APRR, the demerger of Sydney Roads Group, and the first on-market security buy-back by a listed Australian trust.

At 31 December 2007 MIG held interests in 11 toll road assets across seven countries with a combined valuation of over A\$10.2 billion. We believe the business continues to have strong growth prospects for 2008. This is due to the sound underlying performance of our portfolio of assets, an experienced active management approach, and the positive effect that ongoing initiatives implemented during the period will have on positioning the business for the future.

Following completion of the security buy-back in January 2008 and payment of the February 2008 distribution, MIG continues to hold cash or money market investments of A\$890 million. Given the ongoing developments in the financial markets we intend to continue to review our capital management position and focus on maintaining a strong balance sheet foundation.

#### Financial results for the period

MIG's financial results for the half year reflect the solid operational performance of MIG's portfolio. At 31 December 2007 MIG controlled and consolidated one asset of the 11 held in its portfolio, being the M6 Toll.

The profit for the half year attributable to MIG security holders was A\$1.0 billion, compared with A\$1.4 billion for the same period last year. In the 2006 period, A\$645 million gains were realised on the demerger/disposal of assets that were previously consolidated at historic cost. Excluding these gains, profit for the six months to 31 December 2007 increased 28.8% on the prior corresponding period.

MIG's Net Asset Backing per security before deferred taxes (NAB) at 31 December 2007 was A\$4.59, compared with A\$3.89 at 30 June 2007.

#### Other key results

Highlights for the period include:

- Opening of SBX
- Completion of a number of important capital works projects, including the expansion, ahead of schedule, of 100kms of the 407 ETR, reconfiguration of the toll plaza on the Chicago Skyway and installation of electronic tolling on the western end of the Indiana Toll Road
- Execution of the A\$1 billion on-market buy-back program which was completed in mid-January 2008
- Approval by Virginia's State Corporation Commission of the tolling application for Dulles Greenway establishing toll increases from 2009 to 2012, including congestion management pricing during peak periods
- New tolling schedules announced for APRR, 407 ETR, M6 Toll, Chicago Skyway and Dulles Greenway
- Lender approval for early release of ramp-up and other cash reserves by Westlink M7 of approximately A\$87.4 million, of which MIG's share was A\$41.5 million. The release of the reserves was six months earlier than expected and was a recognition by the lenders of Westlink M7's strong operating and traffic performance, and a demonstration of their confidence in the future growth prospects of traffic and development in the Westlink M7 corridor

– In a similar expression of confidence in the underlying performance of Westlink M7, Fitch Ratings upgraded its credit rating of the asset from BBB- to BBB in December 2007. The operational quality of Westlink M7 was also recognised in the latest Australian Road Assessment Program (AusRap), an Australian Automobile Association initiative, which rated Westlink M7 as NSW's best highway, giving it a four-star safety rating.

#### Distributions

In December 2007 MIG announced a distribution of 10 cents per stapled security for the half year, in line with guidance given at the AGM held in October 2007, and indicated that the distribution would comprise a foreign dividend. MIG plans to make a further 10 cent distribution for the half year ending 30 June 2008 and, at the AGM held in October 2007, announced preliminary distribution guidance of 20 cents per stapled security for the financial year ending 30 June 2009.

MIG also offered investors the opportunity to participate in the distribution and dividend reinvestment plan (DRP). No discount applied and the securities allocated to participants in the DRP were sourced on-market, a strategy consistent with MIG's buy-back program.

#### Outlook

Key initiatives for the year ahead include:

- Implementing further cost control strategies and increasing usage of electronic tolling across the asset portfolio
- Managing recent toll revisions on the 407 ETR, APRR, Dulles Greenway, Chicago Skyway and M6 Toll
- Focusing on driving operational and financial performance from the recently opened SBX
- Ongoing management of MIG's project debt and hedging profile to ensure strong portfolio resilience
- Continuing to review the composition of MIG's asset portfolio and assess new development and investment opportunities.

MIG's boards and management are confident of continued performance across the MIG portfolio and solid growth in earnings before interest, tax, depreciation and amortisation (EBITDA). Consequently, MIG expects that operating cash from its assets will continue to grow over the medium term. We look forward to updating MIG investors on the progress of the initiatives discussed above.



John Hughes  
Chief Executive Officer  
Macquarie Infrastructure Group

# HALF YEAR IN REVIEW

JULY-DECEMBER 2007



THE NEWLY APPROVED TOLL SCHEDULE FOR THE DULLES GREENWAY SETS TOLL INCREASES TO 2012 AND INCLUDES CONGESTION MANAGEMENT PRICING DURING PEAK PERIODS.



FROM TOP:  
M6 TOLL, UK  
DULLES GREENWAY, US  
407 ETR, CANADA



COMPLETION OF 100KM OF LANE EXPANSION ON THE BUSIEST SECTIONS OF 407 ETR, AHEAD OF SCHEDULE.

## August 2007

- MIG received an extension to the relief granted by ASIC to continue its on-market security buy-back of up to A\$1 billion until 10 August 2008.
- MIG announced its full year 2007 financial results with a 6.5% increase in traffic, 15.0% increase in revenue and 22.0% increase in EBITDA from assets in comparison to the previous corresponding period on a pro-forma proportionately consolidated basis.

## September 2007

- 407 International Inc. announced the completion of its two-year project to add 100km of new lanes to the busiest section of the highway, ahead of schedule.
- The State Corporation Commission (SCC) issued a final order in respect of the toll schedule application for the Dulles Greenway filed in July 2006. The SCC order substantially approved the application on the terms submitted. The newly approved toll schedule sets toll increases from 2009 to 2012 and includes congestion management pricing during peak periods.
- A new toll structure was announced for APRR, effective 1 October 2007. Motorway tariffs for class 1 vehicles rose by an average of 0.92% on the APRR network and 0.75% on the AREA network. For class 4 heavy goods vehicles, the average price increase was 1.93% on the APRR network and 2.55% on the AREA network.

## October 2007

- At the AGM MIG confirmed its FY2008 distribution guidance of 20 cents per stapled security, and provided preliminary distribution guidance of 20 cents per stapled security for FY2009.
- 407 International Inc. announced the issue of C\$625 million principal amount in 4.90% Senior Notes, Series 07-A2 expiring 4 October 2010, through its C\$1.8 billion Medium-Term Notes program.



SBX OPENED TO TRAFFIC IN NOVEMBER 2007

SOUTH BAY EXPRESSWAY, US



## November 2007

- John Hughes commenced as the new CEO of MIG on 19 November.
- A new toll structure was announced for Chicago Skyway effective 1 January 2008, with two-axle vehicle toll rates increasing US\$0.50 to US\$3.00.
- SBX opened to traffic on 19 November with a phased toll-free period operated until 13 January 2008.
- A new toll structure was announced for M6 Toll, effective 1 January 2008, with class 2 vehicle toll rates increasing £0.50 to £4.50 at main toll plazas and classes 3, 4 and 5 vehicles toll rates increasing by £1.00 each.



FAR LEFT CHICAGO SKYWAY, US

LEFT WESTLINK M7, AUSTRALIA

## December 2007

- MIG announced a distribution of 10.0 cents per stapled security for the half year ending 31 December 2007, in line with guidance confirmed at the AGM.
- Westlink M7 obtained lender approval for the release of the ramp-up reserve and other accumulated cash reserves six months earlier than scheduled, following the motorway's strong performance since opening in December 2005. The release resulted in a distribution of A\$41.5 million to MIG with Westlink M7 now expected to make regular quarterly distributions, subject to ongoing debt service coverage tests.
- A new toll structure was announced for 407 ETR, effective 1 February 2008. This included sectional (or zone) tolling for peak rates with the Regular Zone, between Highways 401 and 404, and the Light Zone, being the remainder of the highway from the QEW in Burlington to Highway 401 and from Highway 404 to Brock Road in Pickering.

SBX OPENED TO TRAFFIC  
ON 19 NOVEMBER 2007

## SOUTH BAY EXPRESSWAY OPENING

# SBX



THE SBX ENVIRONMENTAL MITIGATION PROGRAM INVOLVES OFFSITE AND ONSITE HABITAT RESTORATION, PROTECTION OF THREATENED AND ENDANGERED SPECIES, ENVIRONMENTAL EDUCATION TRAINING PROGRAMS, COMPLIANCE REPORTING, PROTECTION OF WATER QUALITY DURING AND POST CONSTRUCTION AND COORDINATION WITH THE PUBLIC.



SBX WAS AWARDED ENVIRONMENTAL ENHANCEMENT PROJECT OF THE YEAR 2007

South Bay Expressway (SBX), a US\$635 million, 14km fully electronic toll road, is an important link in San Diego's freeway network. It is anticipated to be a catalyst for social and economic activity in the southern San Diego region of California – one of the fastest growing in the US. SBX extends from SR 54 in Spring Valley to Otay Mesa Road/SR 905 near the international border with Mexico and has four lanes and seven interchanges, with the ability to expand to meet future growth.

SBX was a landmark investment for MIG, being its first investment in the US, in 2002, and the first public-private transportation partnership in California since 1995. It has been part of California's planned freeway system since 1959, and part of San Diego Association of Government's (SANDAG) Regional Transportation Plan since 1989. Without the public-private partnership this important transportation corridor would not have been built for at least another decade.

The opening was marked with a weekend of community events, and attended by US Deputy Secretary of Transportation Vice Admiral Thomas Barrett, San Diego Mayor Jerry Sanders and hundreds of elected officials, local community leaders and transportation industry professionals from across the US.

During the ribbon-cutting ceremony, Vice Admiral Barrett spoke about the significance of the public-private partnership responsible for delivering the project years ahead of when it might have been available under conventional means. "California can and should lead the nation," said Deputy Secretary Barrett, "connecting this road to many more like it and showing commuters across the country that you can successfully cut congestion."

After an initial period of free travel to recognise the community support for the road and to allow uptake of electronic FasTrak tags, SBX became fully tolled on 14 January 2008.

Because of its proximity to the Mexican border, SBX has international significance as part of the network designed to support increased trade resulting from the North American Free Trade Agreement (NAFTA).

SBX will improve regional mobility and boost national and international commerce, providing better access for residents and businesses to the employment centres on both sides of the US/Mexico border.

Over the course of its construction SBX created more than 500 jobs. Now it is open, SBX employs more than 50 full- and part-time staff who live in the surrounding communities.

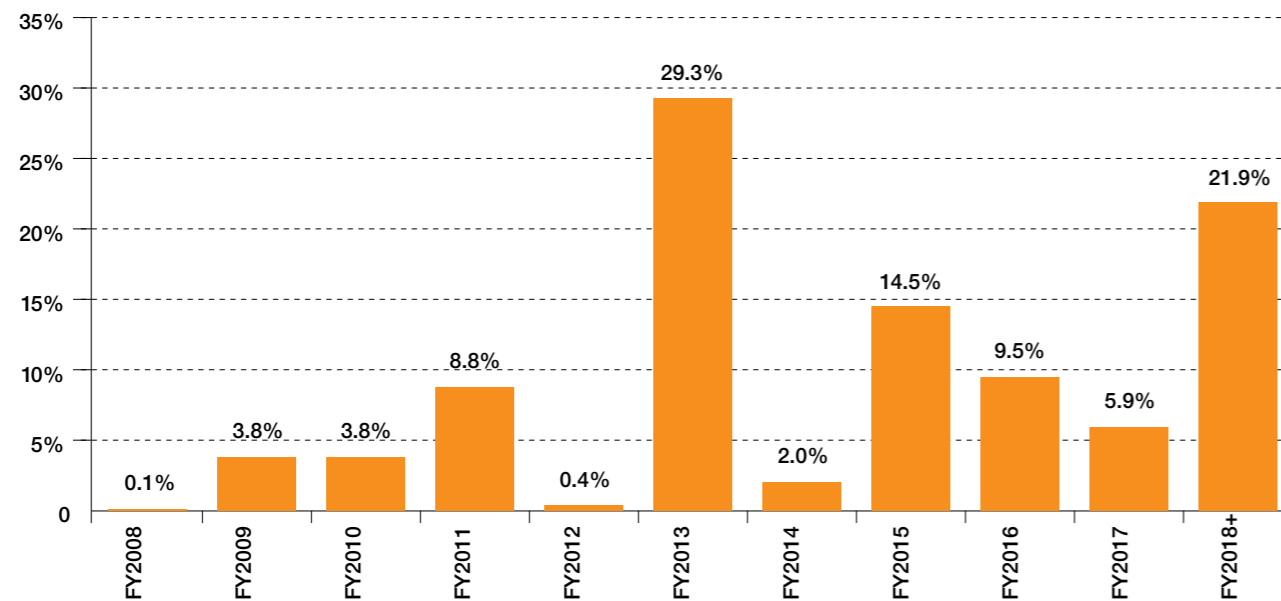
Even before it was operational, the commitment of SBX to its surrounding community and the environment within which it operates was well recognised. Its US\$20 million environmental mitigation program has received two separate awards from state and federal bodies.

In April 2007 the US Department of Transport's Federal Highway Administration named the mitigation program as an 'exemplary ecosystem initiative' – one of only 20 ecosystem initiatives chosen across the US. SBX crosses sensitive habitat for federal and state listed threatened and endangered species in San Diego County. The mitigation program involves offsite and onsite habitat restoration, protection of threatened and endangered species, environmental education training programs, compliance reporting, protection of water quality during and post construction, and coordination with the public and agencies to ensure that the design and construction activities are completed as agreed in the project planning phase.

In February 2007 the California Transportation Foundation bestowed on SBX its Environmental Enhancement Project of the Year award. Prior to this, SBX was recognised by the South County Economic Development Council in October 2006 with the Pioneer award – for businesses or individuals making an outstanding contribution to the economic development, and community and environmental welfare, of the South San Diego County region.

# MIG PORTFOLIO RESILIENCE

ASSET DEBT MATURITY PROFILE AS % OF MIG'S PORTFOLIO<sup>1</sup>



Over the six months to 31 December 2007 there has been volatility in global financial markets as a consequence of movements in credit markets and other macroeconomic conditions.

MIG has more than a decade of experience in actively managing debt for toll road assets and accordingly, prior to the onset of volatility in the credit markets, had in place significant hedging to ensure ongoing resilience of its portfolio.

First, there is a certain degree of natural hedging against rises in interest rates as 89%<sup>2</sup> of MIG's portfolio has tolling mechanisms that are market based or linked to a minimum of inflation. If interest rates rise because of inflation, tolls may accordingly be increased on this proportion of the portfolio by, at least, inflation.

Second, the majority of MIG's assets currently have medium-to long-term debt facilities in place, where the debt is secured with a prudent diversity of maturities. Some 88%<sup>3</sup> of asset debt in MIG's portfolio has interest rate hedging in place for at least two years, while only 4%<sup>1</sup> of asset debt requires refinancing within the next two years.

Third, MIG currently has a cash balance of A\$890 million and, separately, its assets collectively have over A\$1.8 billion in financial reserves.

Finally, gearing across the portfolio has dropped from 54.8% to 45.9% over the 12 months to 31 December 2007 on a proportionately consolidated basis. This is due in part to the divestment of the three mature Sydney roads and the sale to Macquarie Infrastructure Partners of 50% of MIG's interest in its four US toll roads during FY2007.

Even during this period of volatility, credit markets have remained supportive of high-quality assets, as demonstrated through substantial MIG refinancings and other events over the last six months:

- APRR signed a €500 million seven-year debt facility in August 2007, on better terms than existing debt facilities
- 407 ETR refinanced C\$625 million in October 2007 at approximately 0.3% over three-year Canadian bank swap rates, resulting in a blended annual interest cost saving of approximately 1.3%
- Improved terms and conditions were gained in renegotiation of MIG's A\$500 million multi-option stand-by facility in November 2007
- Westlink M7 obtained lender approval for the release of the ramp-up reserve and other accumulated cash reserves in December 2007, six months earlier than scheduled, following strong performance of the motorway since opening. The release resulted in a distribution of A\$41.5 million to MIG
- 407 ETR refinanced an additional C\$550 million of debt in January 2008 with no further debt maturing at the asset until July 2009.

<sup>1</sup> As at 18 February 2008, assuming all assets 100% consolidated.

<sup>2</sup> Assuming 31 December 2007 asset valuations.

<sup>3</sup> As at 18 February 2008, assuming all assets proportionately consolidated.

# MIG BUY-BACK

SUCCESSFUL  
COMPLETION  
OF ON-MARKET  
SECURITY  
BUY-BACK

On 24 August 2006 MIG announced that the Australian Securities & Investments Commission (ASIC) had granted relief for MIG to undertake an on-market buy-back of up to A\$500 million. This was the first time relief had been granted for an Australian listed trust in Australia.

The buy-back was initiated because MIG assessed that it was the most efficient way of distributing surplus cash and generating value for security holders.

On 18 December 2006, following approvals by ASIC and MIG's security holders, MIG announced that the maximum amount of the buy-back would be increased to up to A\$1 billion.

On 15 January 2008 MIG announced the successful completion of the on-market buy-back, having bought back a total of 292,218,706 stapled securities.

The price paid by MIG for stapled securities under the buy-back ranged between A\$2.90 (23 November 2007) and A\$3.88 (27 February 2007), with a weighted average price of A\$3.42.

MIG ASSESSED THAT THE  
SECURITY BUY-BACK WAS THE MOST  
EFFICIENT WAY OF DISTRIBUTING  
SURPLUS CASH AND GENERATING  
VALUE FOR SECURITY HOLDERS.

## FINANCIAL HIGHLIGHTS

		Six months to 31 December 2007	Six months to 31 December 2006
Distributions	Distribution (cash)	A\$0.10 per security	A\$0.10 per security
	Distribution (SRG in specie)	–	A\$0.38 per security
Reported results	Net profit attributable to MIG security holders	A\$1.029m	A\$1,443m
Pro forma proportionately consolidated results <sup>1</sup>	MIG proportionate earnings (post corporate expenses)	A\$169.1m	A\$55.2m
Balance sheet	Total assets	A\$10,985m	A\$10,332m
	Total MIG security holders' interests	A\$6,923m	A\$6,421m
Other	Asset portfolio valuation	A\$10,209m	A\$8,454m
	Net asset backing per security <sup>2</sup>	A\$4.59	A\$3.89

<sup>1</sup> Includes the earnings from individual assets for the current and prior period in the proportion of MIG's equity ownership as at 31 December 2007 prepared in accordance with the policies set out in MIG's 31 December 2007 management information report. This information has not been prepared in accordance with Australian accounting standards.

<sup>2</sup> Before deferred tax.

# MIG SNAPSHOT 2007<sup>1</sup>



48,000 SECURITY HOLDERS 1 PERSON = 8,000 SECURITY HOLDERS



1,500,000 ROAD USERS PER AVERAGE WORKDAY 1 VEHICLE = 250,000 USERS



7 COUNTRY SPREAD



11 TOLL ROADS IN PORTFOLIO

007300000000

A\$7.3 BILLION MARKET CAPITALISATION – TOP 40 RELATIVE TO ASX



89% OF PORTFOLIO IN RAMP-UP STAGE OF TOLL ROAD LIFE CYCLE

<sup>1</sup> As at 31 December 2007.

# MIG INVESTMENT PROFILE AS AT 31 DECEMBER 2007

Asset	Location	Description	Toll increase mechanism	% MIG stake	Asset value 31 Dec 2007 (A\$ million)	% of MIG portfolio
407 ETR	Toronto	Operating	Market based with traffic thresholds	30.0	3,770	37
M6 Toll	Birmingham	Operating	Market based	100.0	3,026	30
APRR	France	Operating	% of inflation	20.4	1,079	11
Westlink M7	Sydney	Operating	Inflation (quarterly)	47.5	776	8
Dulles Greenway	Virginia	Operating	Subject to regulation – tolls specified to 2012	50.0	468	4
Indiana Toll Road	Indiana	Operating	Specified truck toll schedule and fixed car toll until 2010 – thereafter, greater of CPI, 2% or nominal GDP per capita	25.0	355	3
Chicago Skyway	Chicago	Operating	Specified toll schedule until 2017 – thereafter, greater of CPI, 2% or nominal GDP per capita	22.5	307	3
Tagus River Crossings	Lisbon	Two operating toll bridges	Inflation	30.6	236	2
South Bay Expressway	San Diego	Operating	Market based	50.0	187	2
Warnow Tunnel	Rostock	Operating	Minimum of inflation unless IRR > 25.0%	70.0	3	0
<b>Total</b>					<b>10,208</b>	<b>100</b>

## MAJOR ASSET PERFORMANCE SIX MONTHS TO 31 DECEMBER 2007 VS PCP

	% Traffic increase	% Revenue increase	% EBITDA increase
407 ETR	7.4	17.1	18.1
M6 Toll <sup>1</sup>	(11.7)	0.4	3.5
APRR	3.0	7.4	10.2
Westlink M7	14.4	19.8	15.8
MIG proportionately consolidated <sup>2</sup>	1.8	8.7	10.5

<sup>1</sup> Traffic on the M6 Toll in the six months to December 2006 was enhanced by major road works on the M6 resulting in traffic growth for 2007 being lower on a comparable basis.

<sup>2</sup> Based on pro-forma proportionately consolidated information. This includes only those assets that MIG held an interest in at 31 December 2007.

Macquarie Infrastructure Group  
 No. 1 Martin Place Sydney NSW 2000  
 Telephone (Australia): 1800 358 440  
 Telephone (Int'l): 612 8232 7248  
 Facsimile: 612 8232 4713  
 Email: mig@macquarie.com  
 Website: www.macquarie.com/mig

For MIG video links go to:  
[www.macquariedigital.com.au](http://www.macquariedigital.com.au)

**Responsible Entity for Macquarie Infrastructure Trust (I) and Macquarie Infrastructure Trust (II)**  
 Macquarie Infrastructure Investment Management Limited ABN 67 072 609 271 (MIIML)

#### Directors

Mark Johnson (Chairman)  
 Paul McClintock  
 Nicholas Moore  
 David Mortimer AO  
 David Walsh  
 John Roberts (alternate director to Mark Johnson and Nicholas Moore)

#### Secretaries

Christine Williams  
 Dennis Leong

#### Macquarie Infrastructure Group International Limited

##### Directors

Robert Mulderig (Chairman)  
 Jeffrey Conyers  
 Dr Peter Dyer  
 Mark Johnson

##### Secretary

Roslyn O'Brien

#### Adviser of Macquarie Infrastructure Group International Limited

Macquarie Capital Funds (Europe) Limited  
 Registered No. 3976881

#### Registrar

Computershare Investor Services Pty Ltd  
 GPO Box 2975 Melbourne VIC 3001  
 Telephone: 1800 000 982 or 613 9415 4073  
 Facsimile: 613 9473 2500  
 Email: web.queries@computershare.com.au  
 Website: www.computershare.com

The information in this interim report is given in good faith and derived from sources believed to be accurate at this date but no warranty of accuracy or reliability is given and no responsibility arising in any other way including by reason of negligence for errors or omissions herein is accepted by Macquarie Infrastructure Investment Management Limited, Macquarie Infrastructure Group International Limited or its officers or any part of the Macquarie Group.

This interim report is general information and does not take into account the particular investment objectives, financial situation or 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. Macquarie Infrastructure Group International Limited and member companies of the Macquarie Group including Macquarie Infrastructure Investment Management Limited (the responsible entity of the trusts comprised in Macquarie Infrastructure Group) and Macquarie Capital Funds (Europe) Limited, the adviser of Macquarie Infrastructure Group International Limited, do not guarantee the performance of MIG, the repayment of capital or the payment of income.

#### Complaints handling

A formal complaints handling procedure is in place for MIG. If you have any enquiries or complaints, please contact our investor relations team. MIG is a member of the Banking and Financial Services Ombudsman (BFSO). If, after giving us the opportunity to resolve your complaint, you do not feel that it has been resolved satisfactorily, you can lodge a complaint with the BFSO:

Banking and Financial Services Ombudsman  
 GPO Box 3 Melbourne VIC 3001  
 Telephone: 1300 780 808  
 Website: www.bfso.org.au

#### MIG's ongoing commitment to your privacy

We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us. MIG has adopted the Macquarie Group privacy policy.

For further information, visit the MIG website at [www.macquarie.com/mig](http://www.macquarie.com/mig) or contact our investor relations team on 1800 358 440.

#### Interim financial report

A copy of the MIG interim financial report for the six-month period ended 31 December 2007, as well as for previous periods, is available on the MIG website [www.macquarie.com/mig](http://www.macquarie.com/mig)

Alternatively, if you would like to receive a hard copy of any of MIG's financial reports, please contact Computershare Investor Services on 1800 000 982.