

**Transcript of
Macquarie Power & Infrastructure Income
Fund (MPT.UN)
Fourth Quarter and Year-End Results
Conference Call
February 20, 2008**

Participants

Sarah Borg-Olivier - Investor Relations
Greg Smith - President and Chief Executive Officer
Harry Atterton - Vice President and Chief Financial Officer

Presentation

Operator

Please be advised that this conference call is being recorded. Good morning and welcome to the Macquarie Power and Infrastructure Income Fund Fourth Quarter and Year-End Results Conference call for February 20, 2008. Your host for today will be Sarah Borg-Olivier. Ms. Borg-Olivier, please go ahead.

Sarah Borg-Olivier - Investor Relations

Thank you very much, Melanie, and good morning everyone. Thank you for joining us to discuss the MPT's results for the fiscal year and quarter ended December 31st 2007.

Today's call will be hosted by Gregory Smith, MPT's Chief Executive Officer. Also on the call is Harry Atterton our Chief Financial Officer.

Our news release was issued yesterday after market close and is available on our website at www.macquarie.com/mpt.

I should also note that today's conference call is being webcast live with the accompanying slides and will be archived on our website along with a transcript of the event.

Before we begin, I would like to remind everyone that during the course of this conference call we may make various forward-looking statements that involve known and unknown risks and uncertainties that may cause actual results to differ materially. For information about such risks and uncertainties, I refer you to the risk factors in the Fund's annual information form, which was filed on March 20th 2007.

With that, I will turn the call over to Greg.



Greg Smith - President and CEO

Good morning, everyone. Thank you for joining us.

Fiscal 2007 was a solid year for the Fund. The distinguishing event was the acquisition of Clean Power Income Fund in June, which has delivered several important benefits by:

- Extending the average life of the assets in MPT's portfolio;
- Contributing stable, contractually defined revenue;
- And diversifying our portfolio by geography, asset type and fuel source.

These three factors support the Fund's long-term cash flow, predictable performance and increasing distributions to unitholders.

In fact, in January, we increased distributions by two cents on an annualized basis to \$1.05 per unit. This marks the third distribution increase since our inception in 2004, which represents compound annual growth in distributions of 2.8%.

Another important development during the year was the repayment of the U.S. Wind Loan, which was a non-core investment for the Fund. This repurchase had three positive benefits:

- It eliminated the Fund's exposure to foreign currency risk;
- It delivered an attractive 23% premium to the principal amount outstanding; and
- It effectively lowered the purchase price of the Clean Power acquisition.

Finally, the Fund continued to support Leisureworld's growth, as it acquired seven Class C long-term care homes in Ontario. This transaction was concluded on January 31st upon receipt of regulatory approval from the Ministry of Health and Long-Term Care.

Further, on February 1st Leisureworld announced an agreement to acquire the Good Samaritan Seniors Complex in Alliston, Ontario, which includes a 64-bed Class A long-term care home and a 24-bed retirement home. This acquisition is subject to Ministry approval.

Collectively, these homes are an excellent fit for the portfolio and will increase Leisureworld's critical mass in Ontario's long-term care sector. They will also contribute to the long-term predictability of Leisureworld's distributions.

Our financial results for the year reflect six months of contribution from our new wind, hydro and biomass power facilities. Other important drivers included higher power prices under Cardinal's Power Purchase Agreement as well as increased production at Cardinal during the year.

Revenue in 2007 increased 37% to \$122.8 million. Total power production was about 1.7 million megawatt hours compared with approximately 1.2 million megawatt hours in 2006.

Distributable cash was up 43% to \$48.8 million, or \$1.21 per unit. Distributions to unitholders increased 41.1% to \$1.03 per unit, which represents a payout ratio of 88% versus 89% last year. The lower payout ratio reflects the Fund's strong cash flow, as



well as a \$5.4-million gain on the repurchase of the U.S. wind loans, which was offset by higher distributions declared as a result of having more units outstanding in the second half of the year.

Operationally, all of our assets are fundamentally strong and performed to expectations in 2007:

- Cardinal increased production by 5.2% due to fewer outages, resulting in availability of 98.2% and capacity of 96.7%.
- Erie Shores completed its first full year of operations in 2007, with production totalling 243,423 MWh. The plant achieved overall availability of 95.1% and a capacity factor of 28.1%.
- The hydro facilities saw increased production at all facilities, with a weighted average availability of 98.2% and a capacity factor of 55.7%.
- Whitecourt performed well but saw a 5.6% decrease in production due to outages required for repair work, which resulted in lower availability of 93.4% and a capacity factor of 93.1%.

Leisureworld likewise delivered strong results, with a 5.6% increase in revenue and a 7.2% increase in income from operations. These increases show the positive impact of improved occupancy and greater use of preferred occupancy as well as higher government funding. Average occupancy for the year was up to 98.4% while average preferred occupancy was up to 83.2%.

Fiscal 2007 represents the third consecutive year of consistent growth for the Fund. We have delivered sustainable increases in distributable cash and distributions while maintaining a conservative payout ratio. Importantly, our distributions to unitholders are underpinned by relatively low risk, stable assets that offer steady cash flow with growth over time in line with inflation.

At the same time, the Fund continues to actively explore acquisition and other growth opportunities.

I'll say more on our financial resources, growth strategy and outlook in a minute. First, Harry will review the financials and how we are positioned for 2008.....Harry?



Harry Atterton, Vice President and Chief Financial Officer

Thanks, Greg. Good morning, everyone. I'll focus my remarks today on costs, non-cash items and MPT's financial position.

Operating expenses during the year increased by \$10.1 million to \$69.8 million, which reflects the addition of the new assets as well as increased fuel usage and higher gas transportation costs at Cardinal. About 80% of operating costs during the year related to fuel and transportation costs for Cardinal and Whitecourt. The other significant components were labour costs, general maintenance and insurance.

I should note that fuel at both Cardinal and Whitecourt is secured through long-term purchase contracts. So the Fund's major operating expense is effectively managed and predictable, further contributing to the stability of the Fund's distributions.

Administrative expenses were up by \$2.6 million to \$9.7 million, which reflects higher management fees due to the new assets and the reimbursement of costs related to the Clean Power acquisition as well as ongoing business development opportunities. In addition, incentive fees increased to \$3.5 million from \$1.8 million in 2006.

I'll just mention that in 2007 we began to record changes in embedded derivative instruments. As you know, this is a non-cash item and it will continue to fluctuate until the end of these contracts in 2008.

Cardinal's swap agreements do not qualify for hedge accounting. As such, they have been recognized on the balance sheet as deferred liability and do not impact distributable cash. I should note that subsequent to year end, Cardinal entered into two new gas swap agreements for 2009 and 2010.

Our performance in 2007 demonstrates the reliability of our assets and regular maintenance is an important contributor to that reliability.

Maintenance at all of our plants is planned for and funded from reserves so there is no impact to distributable cash. In addition, maintenance is typically conducted during off-peak season, so as to minimize and manage any impact to revenue. At year end, we had established reserves of \$18.6 million for maintenance and capex.

Cardinal and Whitecourt both have major maintenance schedules that typically run on six and seven-year cycles, respectively. In 2008, Cardinal will complete a combustion inspection in the spring, which usually requires a five-day outage, while Whitecourt will complete its major maintenance in May, which is expected to take about 24 days.

Erie Shores has an annual maintenance program that is contracted for the first four years of operations. It typically requires four to five days of outage.

And the hydro plants have planned electrical inspections every two years and mechanical inspections every three years, which are timed to coincide whenever possible.

In 2008, we expect seven to 10 days of outage at Sechelt and some additional maintenance on one of the generators, which will bring the total downtime to about 15 days. Wawatay is slated for electrical and civil inspections, requiring about seven days of outage. At Hluey Lakes, we expect an outage of approximately five days for an electrical inspection.



At Dryden, the Wainwright station, which represents 1 megawatt of capacity, is expected to undergo a three-month major maintenance to replace the turbine and associated mechanical components.

The Fund also maintains a conservative debt position, with a debt to capitalization ratio at year end of approximately 38.8%.

At year end, our long-term debt totalled \$197.4 million, reflecting:

- A \$35-million term loan for Cardinal;
- \$50 million on the CPOT facility; and
- And \$115 million in project debt for Erie Shores.

It is important to note that we have no refinancing requirements for 2008 or 2009. In addition, at the individual asset level, we have very little short-term exposure for our debt facilities.

At year end, the Fund's financial position was strong, with positive working capital of \$31.2 million compared with \$19.2 million at December 31, 2006. Cash and cash equivalents on hand at quarter end amounted to \$21.9 million with an uncommitted cash balance of \$3.3 million at year end.

So overall, I'm very comfortable with the Fund's position as we head into 2008. We expect our operations to provide consistent cash flow and anticipate achieving a payout ratio of approximately 95% to 100%, which provides for stability of distributions.

I'll now turn it back to Greg for concluding remarks....Greg?



Greg Smith – President and CEO

Thanks, Harry.

For 2008, we expect continued stable performance from the portfolio as a whole.

At Cardinal, we expect increases in power rates to be offset by increases in gas transportation costs, which will result in slightly lower cash flow for the year.

We expect Erie Shores to deliver annual production of approximately 245,600 MWh, subject to wind speed and density. In addition, availability of 97% is guaranteed by GE, the turbine supplier, including revenue reimbursement if that threshold is not met.

We expect the hydro facilities to generate long-term average production of 166,360 MWh per year, which represents actual historical production at each of the plants. I should note that maintenance outages are built in to our long-term averages.

We expect Whitecourt to continue to operate reliably. Whitecourt's five-year average availability is 95.5%, which reflects the quality of its operations as well as the stability of its fuel supply, which is under long-term contract. As Harry mentioned, Whitecourt will undergo its major maintenance in May. While this work is being done, we also expect to enhance the steam turbine, which will increase output immediately and sustain it at a higher level.

Across all of our plants, we will continue to look for ways to tweak operations, whether it is improving availability at Erie Shores through better inventory of spare parts, or upgrading equipment at the hydro facilities to improve efficiency and production.

For Leisureworld, a key focus will be on integrating the newly acquired long-term care homes and driving improved occupancy across the portfolio. Leisureworld will also work to secure Ministry approval for the Good Samaritan acquisition, which we expect to receive by the end of 2008.

MPT has delivered on its objectives for 2007 and we look forward to extending our track record in 2008.

Our portfolio is diversified by fuel source, geography and asset type. For 2008, we estimate that Cardinal will represent 49% of distributable cash, Erie Shores, 13%, the hydro facilities, 12%, the biomass plants, 10%, and Leisureworld, 16%. This diverse mix of assets supports the stability of distributions.

In addition, the quality and duration of our PPAs further contribute to the Fund's cash flow predictability. The average weighted remaining term of our PPAs is approximately 12 years, which is in line with others in the industry.

With the expiry of Cardinal's PPA in 2014, we remain focused on working with industry organizations to ensure the ongoing role of non-utility generators post-PPA expiry. These NUGs provide 6% to 8% of the province's power, so they are a vital part of the supply mix. This is especially true in the context of coal going offline and delays in nuclear expansion. The Ontario Power Authority's Integrated Power System Plan clearly sets out a role for NUGs well into the future and suggests that PPAs falling due before 2015 will be renewed. We are gaining more clarity on the economic framework for Cardinal post-2014 and are confident that this facility has a long, productive life.



We also remain focused on a range of growth opportunities. These could include the ongoing consolidation of the power income fund sector, other opportunities in power infrastructure or long-term care, and new categories of infrastructure that would further diversify our portfolio, including public-private partnerships.

A benefit of our relationship with Macquarie is that we have access to a strong internal pipeline as well as the expertise and agility needed to act quickly on external opportunities as they arise. Macquarie's Capital Funds division includes more than 630 staff with experience in managing infrastructure assets as well as more than 500 financial advisory staff with specialized expertise in originating and executing infrastructure transactions.

Equally important, the Fund has significant resources to fund growth, including approximately \$100 million under our credit facilities.

To summarize, MPT offers investors an opportunity to benefit from the stable and strong cash flow generated by essential infrastructure assets.

Our portfolio offers a combination of safety, income and growth in line with inflation as well as the potential for capital appreciation over time.

The diversity of our portfolio as well as the regulated or contractual nature of our cash flow underpins our low risk profile throughout the economic and market cycles.

And finally, we have significant financial strength and flexibility to further increase the size and value of our portfolio. With the Fund's proven sector expertise and ability to tap the global resources of the Macquarie group, we are well positioned to be a leading infrastructure investment vehicle in Canada.

We appreciate your continuing support and would now be pleased to take your questions.

Sarah Borg- Olivier - Investor Relations

Melanie, we are ready to take questions now.

Operator

Thank you. [OPERATOR INSTRUCTIONS] The first question is from Michael McGowan of BMO Capital. Please go ahead.

Michael McGowan

Good morning.

Greg Smith - President and CEO

Good morning. Michael.

Michael McGowan

I had a question regarding some of your growth opportunities. In the past you had spoken of essentially developing greenfield wind sites. Is that still a focus of the Fund?

Greg Smith - President and CEO

We are continuing to --- you are probably talking about our Analyst Day --- but we are continuing to evaluate a number of opportunities and part of those opportunities will exist in greenfield and other generation opportunities, predominantly in the renewables sector. We will evaluate those and look to either expand our existing sites or look for opportunities where we can partner with some developers in provinces across Canada to develop wind and hydro and other biomass facilities to meet the various calls for tenders and RFPs that are available in the marketplace. That being said, we also continue to explore the broad range of other infrastructure opportunities, including long-term care to further grow our portfolio. Which opportunities come to fruition first is just a matter of timing and that is beyond our control. But we are evaluating a broad range of potential opportunities.

Michael McGowan

I noticed in the outlook section of your quarterly report that there was no guidance regarding the distribution policy at Leisureworld. Is it expected to be consistent with distribution levels over 2007 and 2006?

Greg Smith - President and CEO

The distribution policy for Leisureworld is set by the Board of Directors of Leisureworld. For 2008 we expect the distribution rate to remain consistent with that in 2007.

Michael McGowan

Okay. Thank you. Those are my questions.

Greg Smith - President and CEO

Thank you very much, Michael.

Operator

Thank you. [OPERATOR INSTRUCTIONS] The following question is from Robert Kwan of RBC Capital Markets. Please go ahead.

Robert Kwan

Good morning. I am just looking at the maintenance schedule on slide 11. Is it possible to put some dollar figures to the major maintenance or just the maintenance being done at the facilities in 08?

Greg Smith - President and CEO

I'll have Harry outline and broad-brush what some of those numbers are for major maintenance. Just so everybody is aware on the call and that are listening later, the major maintenance and capital expenditures for all of our facilities are fully funded through our reserves, which are set aside in cash. Harry, can you outline for 2008?

Harry Atterton - Vice President and CFO

Sure. As we have already highlighted, the major activities will be performed at Cardinal and Whitecourt primarily. And overall for the facilities we are looking at major maintenance expenses of between \$3.5 and \$4.0 million.

Robert Kwan



And Harry, do you also have the capex on those?

Harry Atterton - Vice President and CFO

I do. Capex we are looking at 2008 across the facilities in the range of \$1.5 to \$1.7 million.

Robert Kwan

The other question I have is on the calculation of distributable cash and from that the calculation of incentive payment. So this year you've booked the gain on the repayment of the loan. I am just wondering what is the thought process on that in so much as there is an ability to double earn the incentive on the gain plus to the extent you can then reinvest those proceeds you'll earn the incentive again?

Greg Smith - President and CEO

That is not quite right, Robert. Let me just go back. The incentive fee payable to the manager is calculated in line with most of our peer group but it is actually 25% of cash flow in excess of 95 cents per unit, which was established at the time of the IPO. Our cash flow per unit was \$1.21 in 2007, representing three strong years of cash flow growth in addition to the gain on the sale of the U.S. Wind Loans. The incentive fee is really calculated --- with respect to the U.S. Wind Loans --- just on the gain component, not on the original principal investment in the U.S. Wind Loans. We decided that in the best interest of the Fund, realizing on the U.S. Wind Loans would actually reduce our foreign currency exposure as well as reduce our overall acquisition costs for the Clean Power acquisition. Subsequent to the acquisition, Caithness was in the process of realizing on their portfolio and we were attempting to try and negotiate improved conditions and covenants with respect to our investment in the U.S. Wind Loans --- and we saw an opportunity to exit our investment at a substantial gain. We decided to pursue that divestiture, which resulted in the \$5.4 million gain for our unitholders. The incentive fee just represents 25% of that extra gain. One way to sort of view it, Robert, is really to take a look at the gain as the net present value of the future income stream that would have been earned on that investment had we kept it. The unitholders are in the same position they would have been had we held that loan over a period of time, in terms of the impact of the incentive fee.

Robert Kwan

Thanks, Greg. I guess just maybe a broader question about that. To the extent you sell any other asset in the portfolio for greater than book value would you then be realizing an incentive fee on 25% of the book gain?

Greg Smith - President and CEO

That is probably a complicated question, Robert. We actually haven't done any analysis in that regard in terms of what the impact of any future sales would be on distributable cash, vis-à-vis the management agreement. I think our position is that the U.S. Wind Loans were a unique opportunity. It was acquired in conjunction with the Clean Power Income Fund portfolio. It was a non-control investment and therefore non-core to our portfolio. Our strategy is to grow and build a portfolio of key infrastructure assets, including power infrastructure. And we are long-term investors

and will look to realize on potential individual investments only when there is a strategic advantage for the fund and our unitholders.

Robert Kwan

I guess just one last follow-up, just on something you mentioned there. If it is not necessarily set out in terms of a formula you would gain over book value, is it fair to say then that the inclusion of the gain for the purposes of either distributable cash or calculating the incentive was discretionary?

Greg Smith - President and CEO

The determination of the incentive fee is set out in the management and administrative agreements with the various funds and trusts within the Macquarie Power and Infrastructure Income Fund structure. It refers to the (inaudible) payable line, distributable cash and the payment related to U.S. Wind Loans is consistent with that definition and those agreements. And the incentive fee is subject to review and approval by the Board of Trustees of Macquarie Power & Infrastructure Income Fund.

Robert Kwan

Thanks, Greg.

Operator

Thank you. [OPERATOR INSTRUCTIONS] The following question is from Bill Cabel of TD Securities. Please go ahead.

Bill Cabel of TD Securities

Hey, guys. Just a quick question. When you look out at the power side of acquisitions, I wonder if you can't comment on how competitive you guys feel you can be with that, and if you can be both competitive and accretive on an acquisition at this point.

Greg Smith - President and CEO

Thanks, Bill. I probably should have commented on the earlier question when we talked about greenfield opportunities and what the landscape is sort of looking like. As sort of evidence of what you saw with the Clean Power acquisition, and, quite frankly, what we saw with the acquisition of the seven homes by Leisureworld in the long-term care sector, is that we are seeing that internal rates of return have actually moved to slightly more favorable conditions than existed in 2005 and 2006. And so we are quite optimistic in terms of what we're seeing for existing and greenfield assets in terms of internal rate of return. When we approach an asset or potential opportunity for investment, we apply quite a rigorous criteria to both ensure the asset has a strong yield profile and is accretive to our unitholders but also that it has a very strong total return framework or internal rate of return available to our unitholders to ensure that we have both growth in capital appreciation and growth in yield over time. What we are seeing in power generation is that we can still be competitive even with our unit price where it sits. What we have is a \$100 million facility that will allow us to be flexible in approaching new acquisitions before we have to go to the marketplace to replenish our capital reserves. That allows for some additional flexibility in the short term. We are seeing very attractive opportunities in the marketplace. I think when I take a look at our unit price overall, I am actually very disappointed in terms of the



decrease in the unit price over the past three months. The underlying stability of our assets and the growth profile underlying our assets is not being properly reflected in the share price. But I think that over a period of time, I am hopeful that our unit price will react favorably to the stable performance that we have been able to generate since our IPO in 2004.

Bill Cabel

Okay, great. Thank you.

Greg Smith - President and CEO

Thanks, Bill.

Operator

Thank you. There are no further questions registered at this time. I'd like to turn the meeting back over to Mr. Smith.

Greg Smith - President and CEO

I'd like to thank everyone again for joining us and for your questions today. Our next event will be our annual general meeting on April 9 in Toronto at the Toronto Stock Exchange Broadcast Gallery, and we look forward to seeing you all there. Thank you very much.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time. We thank you for your participation.