

1 Background

Macquarie Capital Funds (MacCap Funds) has prepared a short fact sheet in response to questions raised about the Funds and Macquarie.

All figures current as of 30 September 2007, unless otherwise stated.

2 MacCap Funds Fact Sheet

(i) Evidence of Diversity of Business

- Macquarie has a diversified revenue base with multiple high performing businesses.
- Macquarie has over 11,000 staff in 25 countries.
- Although an important and high profile area of the Macquarie group, Macquarie's success is not reliant solely on the contribution of any individual area of business, including MacCap Funds.

(ii) Relevance of Related Party Transactions to Macquarie Performance

- During 1H08¹, less than 5% of Macquarie's Total Operating Income was derived from the sale of infrastructure assets by Macquarie to the funds.
- Advisory fees paid by MacCap Funds was less than 7% of Total Operating Income.
- MacCap Funds completed 18 acquisitions with total deal value of A\$18.0bn during 1H08. Of these completed acquisitions, none related to sales of assets from one MacCap Fund to another.²

(iii) Evidence of Investment Discipline

- Detailed financial analysis and due diligence completed prior to asset acquisitions.
- Funds acquire assets that are expected to be value accretive (IRR/distribution accretive).
- Importantly, each deal is assessed on a fund-by-fund basis:
 - Compared against stated fund investment mandate and criteria.
 - Expected to be value accretive (IRR) and maintain/enhance distributions over time.
- This investment discipline is evident in the returns of Macquarie's MacCap funds which have delivered a compound annual return of 19%³ since inception 13 years ago.
- In many cases equity is raised after a listed fund is declared preferred bidder for an asset. This provides investors the opportunity to scrutinise the transaction and decide if they will support it with new equity.

¹ Macquarie's financial year, ending 31 March.

² Macquarie International Infrastructure Fund agreed to sell a 100% interest in TanQuid (German oil and chemical storage business) and a 3.2% interest in Brussels Airport to other Macquarie managed funds, completed in 2H08.

³ Annualised return based on all capital raised, distributions paid and valuations (market capitalisation for listed funds and net asset value for unlisted funds and managed assets) for MacCap Funds since inception to 30 September 2007 (listed funds as at 30 September 2007, unlisted funds and managed assets as at 30 June 2007). Calculated on an AUD basis, with cashflows converted at fixed exchange rates (based on listing for listed funds, first close date for unlisted funds and financial close date for managed assets).

- Many more assets are reviewed and rejected than are acquired. By way of example:
 - Since inception MIG has reviewed over 125 deal proposals of which it has invested in 31.
 - Since inception MCG has reviewed over 60 deal proposals of which it has invested in four.
- Macquarie and its funds declined to increase their offer price for a number of transactions. These include London City Airport, SH121 Texas Tollway, Chicago City Car Parks, OOIL (Vancouver and New York ports), and Associated British Ports.
- Other notable public transactions in which Macquarie or its Funds were unsuccessful by reason of price include the London Stock Exchange, Budapest Airport, the Cross City Tunnel and the Lane Cove Tunnel.

(iv) Why Have Valuations?

- Accounting rules require the assessment of market value of assets in many cases.
- Market expects directors' and Macquarie assessment of asset values.
- There is no connection between the accounting at the fund level and the funding at the asset level. Valuations are only undertaken at the fund level whereas the debt is held at the asset level.
- Assets do not produce valuations but traditional historic cost accounts.

(v) Evidence of Robustness of Valuation Model

- Market analysts consistently value assets above fund directors' valuations.
- While Macquarie infrastructure funds are predominantly long-term owners of their assets, between 1994 and 2007, 11 assets with a combined enterprise value⁴ of A\$13bn (or circa 10% of total MacCap Funds' Assets Under Management) have been realised/ sold to unrelated third parties.
 - Realisation proceeds have delivered approximately 2.1x equity invested for the funds and a weighted average compound annual return of 21%.
- Importantly, asset values on realisation have equalled or exceeded directors' valuations in all cases, eg:
 - Cintra was sold at €8.24 and is now trading at €10.68, almost three years later.
 - The sale of an interest in Birmingham Airport for 63% above the December 2006 directors' valuation was completed in September 2007.
 - The sale of an interest in Rome Airport for 88% above the December 2006 directors' valuation was completed in July 2007.
- Where we have invested in businesses that have remained listed on a local stock exchange, those businesses are now trading at prices materially higher than the funds' entry prices, eg:
 - MAp acquired its initial stake in Copenhagen Airports (CPH) at DKK 1247, it then made its takeover offer for CPH at DKK 2000. CPH is trading at DKK 2417.
 - MIG, MEIF and Eiffage acquired a stake in APRR for €61. APRR is trading at approx €74.
- Where funds have co-invested with equity partners who also produce valuations, the Macquarie fund valuations are seen as conservative compared to our partners⁵, eg:
 - Cintra valued the 407 ETR 5% higher than MIG.
 - Cintra valued Chicago Skyway 41% higher than MIG.
 - Cintra valued Indiana Toll Road 84% higher than MIG.

⁴ Enterprise value calculated on proportionate basis according to the respective equity ownership of the fund in the asset.

⁵ Valuations as at 30 June 2007. Cintra's valuations of 407 ETR, Chicago Skyway and Indiana Toll Road converted at EUR/AUD rate of 1.5944.

(vi) Distributions Are Derived from Cashflow, not Valuations

- Distributions are determined by cashflow, not valuations. The table below shows the extent to which MIG's, MAp's, MCG's and MIC's distributions are sourced from operating cashflows.

Fund	Proportion of Distribution from operating cashflow
MIG	53% ⁶
MAp	70% ⁷
MCG	100% ⁸
MIC	108% ⁹

- Note: MIG's distributions are comprised of operating cashflows, proceeds from refinancing of assets and current cash balances because many of the assets in the MIG portfolio are currently in growth or ramp-up phases.

(vii) Debt – Gearing, Debt Maturity and Interest Rate Hedging Profile

The following information has been prepared in relation to the debt profile of MacCap funds and managed assets, including assets held directly by Macquarie that have been acquired with a view that they may be sold into new or existing MacCap funds.

- MacCap Funds currently manages 31 vehicles and has 112 assets under management (this includes interests in six assets held directly by Macquarie¹⁰).
- Liquidity management for all funds and assets is robust and able to fund continuing operations.
- The debt extended to the Funds and the assets is non-recourse to the manager or Macquarie.
- All current and scheduled refinancings over the next 12 months are expected to be completed with minimal impact from recent credit market events.

Gearing

Average gearing across all MacCap Funds managed assets is 57%.

MacCap Funds average gearing = $\text{Proportionate Debt} / (\text{Proportionate Debt} + \text{Proportionate Equity})$, where:

- Proportionate Debt (or Equity) is the proportion of net debt (or equity) in the assets based on the percentage ownership of the MacCap Funds managed investment in that asset.
- Proportionate Equity is based on the most recent valuation.¹¹

Debt Maturity and Amortisation Profile¹²

Less than 2% of the debt of MacCap Funds' managed assets requires refinancing/amortisation in the next 12 months.

Less than 9% of the debt of MacCap Funds' managed assets requires refinancing/amortisation over the next 1 – 3 years.

⁶ Based on FY2007 operating cashflows pre management fees and post other fees and FY2007 distributions of 20 cents per security.

⁷ Based on FY2007 distribution guidance of 26 cents per security.

⁸ Based on FY2007 distributions of 42 cents per security.

⁹ Based on Cash Available for Distribution for six months ending 30 June 2007, relative to distributions declared for the same period.

¹⁰ Excludes assets where Macquarie has co-invested with MacCap funds.

¹¹ Valuations as at 30 June 2007.

¹² As at 30 June 2007.

Interest Rate Hedging Profile

- The majority of the debt of MacCap Funds managed assets is fixed rate or hedged.
- Over the short to medium term, asset cashflows are relatively insensitive to changes in interest rates due to significant interest rate hedging.

The table below shows the percentage of asset debt at fixed rates or hedged over various time periods.¹³

0 – 2 yrs	2 – 4 yrs	4 – 7 yrs	> 7 yrs
89%	80%	68%	43%

- A significant proportion of MacCap Funds managed assets are insensitive to movements in interest rates caused by inflation due to revenue structures which allow changes in inflation to be passed through.

	407 ETR (A\$m)	M6 Toll (A\$m)
Valuation at 30 June 2007	3,039	2,469
Interest rates +1%	(75)	(7)
Risk-free rate +1%	(601)	(382)
Inflation +1%	830	527
Valuation	3,193	2,607
Valuation uplift	5.1%	5.6%

Impact of Tightening Credit Markets: Borrowing Margins Increase / Base Rates Reduce

- All planned refinancing are expected to complete on schedule and on materially the same terms as envisaged.
- The impact on debt margins varies between asset classes, but in the short term is estimated to be:
 - Senior debt: margins increasing by 5–30 bps.
 - Subordinated / Mezzanine debt: margins increasing by 50–100 bps.
- Of particular note is the recent off-setting impact of benchmark bond yields on any increase in debt margins. For example, the change in long term government benchmarks¹⁴ for selected countries has been as follows:

Country	30 June 07	30 Sep 07	Basis Points Reduction
Australia	6.26%	6.16%	10 bps
Canada	4.55%	4.34%	21 bps
Europe	4.57%	4.33%	24 bps
UK	5.46%	5.01%	45 bps
US	5.03%	4.59%	44 bps

(viii) Complexity of Structures

- Most funds include a pass-through vehicle to ensure the efficient flow of income and capital from underlying assets to fund investors.
- The funds generally finance each acquisition using limited recourse debt. One of the consequences of using limited recourse debt is that intermediate holding companies are required to hold the debt and therefore the structures appear complicated.

End

¹³ Calculated as the amount of fixed rate debt and swapped principal as a proportion of the forecast net debt outstanding over the relevant period as of 30 June 2007.

¹⁴ Yields of nominal 10 year government bonds on relevant dates.