

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

**Responsible Entity for Macquarie Infrastructure Trust (I) and Macquarie Infrastructure Trust (II)**

Macquarie Infrastructure Investment Management Ltd  
ABN 67 072 609 271  
AFS Licence No. 2414405

**Directors**

Mark Johnson (Chairman)  
Michael Easson, AM  
Paul McClintock  
Nicholas Moore  
David Mortimer, AO  
John Roberts  
David Walsh

**Secretaries**

Christine Williams  
Dennis Leong

**Macquarie Infrastructure Group International Limited**

**Directors**

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

**Adviser of Macquarie Infrastructure Group International Limited**

Macquarie Investment Management (UK) Ltd  
Registered No. 3976881

**Secretary**

Roslyn O'Brien

**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

**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 Bank Limited 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.

**Complaints handling**

A formal complaints handling procedure is in place for Macquarie Infrastructure Group. 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](http://www.bfso.org.au)

**Disclaimer**

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 Bank 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 Macquarie Infrastructure Group, 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 Bank Group including Macquarie Infrastructure Investment Management Limited (the responsible entity of the trusts comprised in Macquarie Infrastructure Group) and Macquarie Investment Management (UK) Ltd, the adviser of Macquarie Infrastructure Group International Limited, do not guarantee the performance of Macquarie Infrastructure Group, the repayment of capital or the payment of income.

**Interim financial report**

A copy of the MIG interim financial report for the six-month period ended 31 December 2006 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, please contact Computershare Investor Services on 1800 000 982.

MACQUARIE INFRASTRUCTURE GROUP  
INTERIM REPORT FOR THE PERIOD ENDED  
31 DECEMBER 2006



MACQUARIE

# CEO'S REPORT FOR THE SIX MONTHS ENDING 31 DECEMBER 2006 >

The six months to 31 December 2006 have been a busy period for MIG.

The demerger of MIG's interests in the mature Australian toll roads – the Eastern Distributor, M4 and M5 – was completed on 1 August 2006. The demerger involved an in-specie distribution to MIG security holders of one Sydney Roads Group (SRG) security for every three MIG stapled securities held, and culminated in the listing of SRG on the ASX on 31 July 2006.

In August 2006 MIG announced the outcomes of the portfolio and capital management review. This review was a considered response to a variety of factors, including a period of security price underperformance, and included a comprehensive and broad-ranging set of initiatives.

The review contained two key short-term initiatives:

- MIG completed the sale of half of its interests in its US assets to Macquarie Infrastructure Partners (MIP), for a total consideration of US\$825 million (A\$1.05 billion), and will look to partner with MIP on future transactions in the US. As a result of this partnership, MIG will have a better platform for accessing future opportunities in the growing US toll road market; and
- MIG foreshadowed the commencement of an on-market buy-back of MIG stapled securities. This commenced in October 2006, with just over A\$300 million completed by 22 January 2007. Including part of the sales proceeds from the MIP transaction, MIG is targeting an aggregate security buy-back of A\$1 billion.

Other outcomes from the review included:

- Providing MIG's management companies with the option, over the next three years, to reinvest base fees in MIG securities instead of taking cash;
- Formulation of an updated set of investment criteria; and
- Formulation of a revised capital management policy.

The period was also a time for some reflection, as 16 December 2006 was the 10th anniversary of MIG's listing on the Australian stock exchange. In the 10 years since listing, MIG has grown from an A\$300 million capitalisation when it first listed on 16 December 1996, to an A\$9.1 billion top-35 entity<sup>1</sup>. The achievements over a decade of investment and innovation are examined more closely on pages 7 and 8.

As at 31 December 2006, MIG held interests in 11 toll road assets across seven countries with a combined valuation of A\$8.34 billion. We believe the business continues to have strong growth prospects

for 2007. This is due to the solid underlying performance of our portfolio of assets, an experienced active management approach and the positive effect that the initiatives implemented during the period will have on positioning the business for the future.

### Financial results for the period

MIG's financial results for the half year reflect both the impacts of the major transactions during the period – the demerger of SRG, the refinancing of the M6 Toll and the divestment of its US assets to MIP – and the operational performance of MIG's portfolio. At 31 December 2006, MIG controlled and consolidated one asset, the M6 Toll, compared with five at 30 June 2006.

The profit for the period attributable to MIG security holders was A\$1.4 billion, compared with A\$0.8 billion for the same period last year. Of this amount, A\$645 million relates to gains realised on the demerger/disposal of assets that were previously consolidated at historical cost.

MIG's Net Asset Backing per security before deferred taxes (NAB) at 31 December 2006 was A\$3.92, compared with A\$3.66 at 30 June 2006 (after adjusting for the SRG demerger).

### Other key results

- The successful refinancing of the M6 Toll in the United Kingdom. The M6 Toll's capital structure is now better matched to its operating cash flows over the life of the concession. A\$992 million was released to MIG.
- The first anniversary of completion of Westlink M7. Westlink M7 is now an integral, fully electronic part of the Sydney orbital network, providing an important link to and between major employment, residential and industrial areas of Western Sydney. The significant industrial and residential growth in the Westlink M7 catchment means the long-term fundamentals of this asset are sound. In September 2006 MIG exercised its pre-emptive rights to acquire an additional 2.5% of Westlink M7, to take its total stake to 47.5%.
- Completion of a number of important capital works projects. These include the widening of two east bound and west bound sections of the 407 ETR totalling 27 kilometres, the east bound and west bound widening of the Dulles Greenway, and the completion of roadworks on the Skyway in December 2006.

<sup>1</sup> Based on security price and securities on issue as at 31 December 2006.

# FINANCIAL HIGHLIGHTS >

		Six months to 31 December 2006	Six months to 31 December 2005
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\$1,443m	A\$821m <sup>1</sup>
		As at 31 December 2006	As at 30 June 2006
Balance sheet	Total assets	A\$10,425m	A\$12,716m
	Total MIG security holders' interests	A\$6,626m	A\$6,316m
Other	Asset portfolio valuation	A\$8,337m	A\$9,158m <sup>3</sup>
	Net asset backing per security <sup>2</sup>	A\$3.92	A\$3.66 <sup>3</sup>
	Market capitalisation	A\$9.1bn	A\$7.3bn <sup>3</sup>

<sup>1</sup> After adding back finance costs attributable to MIT(I) unit holders to make comparable with current period.

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

<sup>3</sup> Adjusted for SRG demerger.

### Distributions

In December 2006 MIG announced a distribution of 10 cents per stapled security for the half year, in line with guidance given at the AGM held in November 2006, and indicated that the distribution would comprise a foreign dividend.

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 ongoing security buy-back program.

MIG plans to make a further 10 cent distribution for the half year ending 30 June 2007.

MIG's boards and management are confident of continued solid performance across the MIG portfolio and continued strong 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.

### Outlook

Key initiatives for the year ahead include:

- Continuing to invest in MIG's assets, including capital works improvements to the 407 ETR, Indiana Toll Road, Skyway, APRR, South Bay Expressway and Dulles Greenway;
- Developing MIG's partnership with MIP to generate short and longer term value for MIG security holders;
- Managing recent toll revisions on the 407 ETR and the M6 Toll and progressing the tolling application for the Dulles Greenway;

- Continued cost control and increased usage of electronic tolling;
- Subject to security price performance, continuing an A\$1 billion on-market buy-back;
- Completing and opening the South Bay Expressway; and
- Continuing to assess new development and investment opportunities.

The boards and management of MIG are confident that the business will perform solidly over the next 12 months and we look forward to updating MIG investors on the progress of the initiatives discussed above.



Stephen Allen  
Chief Executive Officer  
Macquarie Infrastructure Group



### JULY 2006

- Sydney Roads Group (SRG), the new vehicle established to hold MIG's interests in its three mature Australian toll roads – the Eastern Distributor (ED), M4 and M5 – was listed on the Australian Stock Exchange (ASX) on 31 July 2006.

ED/M5/M4 motorways



### AUGUST 2006

- MIG announced the outcomes of its portfolio and capital management review, including initiatives to optimise existing asset performance, updates to capital management and distribution policies, updates to MIG's investment criteria, the US asset restructure, and initiatives to increase alignment of management and MIG security holder interests.
- MIG completed the refinancing of the debt facilities of the M6 Toll resulting in a cash distribution to MIG of A\$992 million. From this, A\$500 million was applied to an on-market buy-back which commenced on 3 October 2006.

### SEPTEMBER 2006

- MIG acquired an additional 2.5% stake in Westlink M7 for A\$34.3 million – a 7.3% discount to MIG's valuation at 30 June 2006. The acquisition brings MIG's total interest in Westlink M7 to 47.5%.

### OCTOBER 2006

- MIG announced that the ATO had issued a Class Ruling confirming that no Australian tax is payable by MIG security holders on the in-specie distribution of SRG.

Westlink M7



### NOVEMBER 2006

- MIG advised that Ontario Teachers' Pension Plan Board (OTPP) had exercised their right to convert all outstanding Reset Convertible Notes (ReCNs). The ReCNs were issued to OTPP by MIG in 2003 to fund MIG's initial investment in Westlink M7. As a result of the conversion, MIG issued 165 million stapled securities to OTPP.
- M6 Toll announced revised toll rates for 2007. Tolls for light vehicles increased by 50 pence, or 14.3%, to £4 effective 1 January 2007.
- MIG received strong support from security holders for the resolutions put forward at its 2006 AGM, including approval for base management fees to be paid in cash or reinvested in securities (96% in favour), approval to proceed with the sale of half of its interests in its US assets (94% in favour), and approval for an expanded on-market buy-back (99% in favour).
- MIG confirmed its distribution guidance for FY07 of 20 cents per stapled security and provided preliminary distribution guidance for FY08 of 20 cents per stapled security.

M6 Toll



### DECEMBER 2006

- MIG announced the successful completion of the divestment of 50% of its interests in its four US toll roads to Macquarie Infrastructure Partners (MIP) for a total consideration of US\$825 million (A\$1.05 billion). As a consequence of the divestment, MIG allocated A\$500 million from the sales proceeds to an expanded on-market buy-back. This brought the total amount allocated for the buy-back to A\$1 billion.
- 407 ETR announced revised toll rates for 2007. Tolls for light vehicles increased by 1.35 cents per kilometre, or 8.3%, to 17.6 cents per kilometre effective 1 February 2007.
- MIG celebrated the 10-year anniversary of its listing on the Australian Stock Exchange on 16 December 2006. Over the past 10 years MIG has achieved a compound annual return of 18%<sup>1</sup> and has grown from an owner of four Australian toll roads to one of the world's largest developers and owners of toll roads with 11 assets in seven countries.

407 ETR



<sup>1</sup> Based on all capital raised, distributions paid, securities acquired under the buy-back and valuation (market capitalisation) since December 1996 to 31 December 2006. Past performance is not a reliable indicator of future performance.

As discussed in the CEO's report, MIG announced the key outcomes of the portfolio and capital management review on 24 August 2006. The underlying purpose of the review was implementing change to enhance value for MIG security holders in the short and longer term.

Two of the main initiatives are discussed below.

### US divestment

MIG undertook a detailed assessment of restructuring options that could be pursued to both maximise returns for security holders and position the business for future growth.

One of the conclusions was that MIG should remain ASX-listed, as Australia is an efficient domicile for MIG securities, and a sophisticated investment market where toll road assets are well understood.

MIG also decided to sell 50% of its interests in its four US toll roads – the Indiana Toll Road (ITR),

South Bay Expressway, Dulles Greenway and Skyway – to Macquarie Infrastructure Partners (MIP), a US-based unlisted equity fund. MIP has a mandate to invest in infrastructure assets, including toll roads, and similar assets in North America. There were a number of reasons why the US divestment was an effective means of creating short and longer term value for MIG security holders:

- For some time MIG has said that the US will become a major global source of value-accretive toll road deals. MIG believes that the future growth of the toll road sector, and therefore of the business, will come from the US market, and that establishing the partnership with MIP will give MIG and its security holders the necessary access and market position to leverage that opportunity;

- The US\$825 million (A\$1.05 billion) consideration achieved from the sale to MIP demonstrates the value of the assets involved. The price was in line with MIG's valuation and, together with the terms of the MIP transaction, was subject to an independent expert's report from KPMG which concluded that the sale price was fair and reasonable;
- The arrangement with MIP preserves the continuity of management of the four US toll roads. Further, MIG and MIP have like-minded investment objectives and a similar active management approach;
- A partnership with MIP will assist (as MIP is a US-based entity) in addressing opposition that MIG has previously encountered to foreign ownership of US infrastructure assets; and
- MIG preserves its right of first refusal with respect to Macquarie Group OECD toll road opportunities. MIG also has discretion as to whether it involves MIP in toll road transactions in the US.

These reasons were presented to MIG security holders in the documentation sent ahead of the MIG AGM on 27 November 2006, as the divestment required their approval to proceed.

Ultimately, 94% of MIG security holders who were eligible to vote supported the divestment and, on 18 December 2006, MIG announced that it had been completed.

### On-market buy-back

On 24 August 2006, MIG announced a first for any listed trust in Australia – the Australian Securities & Investments Commission (ASIC) had granted appropriate relief for MIG to undertake an on-market buy-back of up to A\$500 million, to be completed by 23 August 2007.

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

This was in line with MIG's announced capital management policy. The policy states that MIG will apply surplus funds – or capital inflows from refinancings and asset disposals, net of commitments – firstly to supplementing operating cash flows as required; and secondly as returns to MIG security holders, using the most efficient mechanism available at the time (which may include either a buy-back or a special distribution depending upon factors such as current security price).

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 doubled from up to A\$500 million to up to A\$1 billion.

MIG notes that there is a significant portion of the buy-back still to be completed. Ongoing conduct of the buy-back is dependent upon MIG's security price performance. In addition, the current ASIC relief instrument applicable to the buy-back has set a time limit of 23 August 2007, after which MIG would have to apply for further relief to extend the buy-back period.

South Bay Expressway currently under construction



Indiana Toll Road



16 December 2006 was a day of celebration for MIG, marking the 10th anniversary since listing.

"A decade of business is a solid achievement," says Steve Allen, MIG's CEO. "This milestone offers the opportunity to reflect on the past 10 years and the many developments that have taken place over that time."

Since listing as the Infrastructure Trust of Australia (ITA) with an initial public offering of A\$300 million, MIG has grown from holding investments in just four seed Australian assets – only one of which was operational – to today's position where MIG has a geographically diversified portfolio of 11 toll roads across seven countries, and a market capitalisation of A\$9.1 billion<sup>1</sup>. At the time of launch just 1% of MIG's securities were held outside Australia. 10 years later that figure is 48%, demonstrating the truly global nature - and investment appeal - of MIG's business.

But the significant changes are not limited to MIG's growth. As Allen explains, "MIG's establishment gave retail and institutional investors the chance to invest in the infrastructure industry at a time when opportunities were very limited. Today there are 22 infrastructure funds and almost A\$40 billion worth of infrastructure investments listed on the ASX. It really has been a decade of innovation."

The MIG growth story is one about investment, development, innovation and value creation. In the last 10 years MIG has reviewed more than 140 investment opportunities, invested in 32 toll

roads and realised interests in 21 toll roads – most recently the Sydney Roads Group.

MIG has consistently been at the forefront of developments within the infrastructure industry, often leading the way in the development and private provision of toll roads.

"We were an early mover in Australia," says Allen, "with our significant investment in and development of what is now the Sydney toll road network."

MIG has since been involved in a series of firsts for the infrastructure industry; including the 407 ETR, the first privately developed toll road in Canada; Skyway, the first lease of an existing asset in the US; and the M6 Toll, the first toll road in the modern era in the UK.

Today MIG has an established track record as a global developer of both substantial greenfield projects and of existing assets; and as a successful operator, working closely with road management to enhance the operational performance and capital structure of its toll roads.

As Allen points out, "At the end of the day we are a listed company, so what matters is that we produce returns for our investors".

Over its lifetime, MIG has distributed A\$3.7 billion to investors, achieved a compound annual return of 18%<sup>2</sup> and, as illustrated in the chart below, MIG securities have significantly outperformed the ASX 300 industrials benchmark.

MIG Accumulation Index vs. Benchmark (ASX 300 Industrials Accumulation Index)



<sup>1</sup> As at 31 December 2006.

<sup>2</sup> Based on all capital raised, distributions paid, securities acquired under the buy-back and valuation (market capitalisation) since December 1996 to 31 December 2006. Past performance is not a reliable indicator of future performance.

#### MARKET CAPITALISATION

1996: A\$300M

2006: A\$9.1B

#### SIZE RELATIVE TO ASX

1996: TOP 150

2006: TOP 35

#### NUMBER OF SECURITY HOLDERS

1996: 8,446

2006: 55,000

#### SECURITIES HELD OUTSIDE AUSTRALIA

1996: 1%

2006: 48%

#### TOLL ROADS IN PORTFOLIO<sup>2</sup>

1996: 4

2006: 11

#### COUNTRY SPREAD

1996: 1

2006: 7

#### ROAD USERS PER AVERAGE WORKDAY

1996: 46,500

2006: 1,400,000

#### WEIGHTED AVERAGE LENGTH OF CONCESSIONS REMAINING

1996: 36 YEARS

2006: 61 YEARS

<sup>1</sup> As at 31 December 2006.

<sup>2</sup> Over the past 10 years MIG has held interests in 32 toll roads.

## MIG INVESTMENT PROFILE AS AT 31 DECEMBER 2006 >

Asset	Location	Description	Toll increase mechanism	% MIG stake	Asset value 31 Dec 2006	% of MIG portfolio
407 ETR	Toronto	Operating	Market based with traffic thresholds	30.0	2,936	35
M6 Toll	Birmingham	Operating	Market based	100.0	2,562	31
APRR	France	Operating	Inflation	20.4	754	9
Westlink M7	Sydney	Operating	Inflation (quarterly)	47.5	699	9
Dulles Greenway	Virginia	Operating	Subject to regulation – tolls specified to 2008	50.0	446	5
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	258	3
Skyway	Chicago	Operating	Specified toll schedule until 2017 – thereafter, greater of CPI, 2% or nominal GDP per capita	22.5	250	3
Tagus River Crossings	Lisbon	Two operating toll bridges	Inflation	30.6	246	3
South Bay Expressway	San Diego	Under construction	Market based	50.0	185	2
Warnow Tunnel	Rostock	Operating	Minimum of inflation unless IRR > 25.0%	70.0	–	0
Other					1	0
<b>Total</b>					<b>8,337</b>	<b>100</b>

## MAJOR ASSET PERFORMANCE >

	Traffic increase %	Revenue increase %	EBITDA increase %
407 ETR	2.8	7.1	9.7
M6 Toll	16.3	17.1	27.5
APRR	2.0	7.3	13.7
Dulles Greenway	(6.4)	21.5	45.7
Indiana Toll Road	1.1 <sup>1</sup>	43.9	57.7
Skyway	0.1	(1.3)	2.3
MIG proportionately consolidated <sup>2</sup>	9.8	20.9	28.7

<sup>1</sup> This represents traffic growth on the ticket system. Traffic growth on the barrier system was (1.7%).

<sup>2</sup> Based on proforma proportionately consolidated information. This includes only those assets that MIG held an interest in at 31 December 2006.

## UPDATE ON RECENT TAX MATTERS >

### SRG in-specie distribution

In October 2006, MIG announced the Australian Tax Office (ATO) had issued a Class Ruling confirming that no Australian tax is payable by MIG security holders on the demerger of Sydney Roads Group (SRG), and that roll-over relief does apply.

Under the relief granted by the ATO:

- No capital gain arose for a MIG investor from the demerger and in-specie distribution providing that a roll-over relief election was made; and
- It is necessary for MIG investors to make adjustments to the CGT cost bases of their units in MIT(I) and MIT(II), and to record CGT cost bases for their units in SRT and shares in SRL.

To assist with the cost base calculation, MIG has prepared two guides dealing with the calculation (depending upon whether MIG investors elect for roll-over or not), and an online calculator, all of which are available on the MIG website [www.macquarie.com/mig/distributions](http://www.macquarie.com/mig/distributions)

### June 2005 distribution

In the 2006 MIG Tax Statement Guide, MIG advised that the June 2005 tax-deferred distribution of 11.8043 cents by MIGIL (paid August 2005) was subject to an ATO Class Ruling confirming the split of the MIGIL distribution into the (assessable) dividend component and the tax-deferred component. A Class Ruling has not been issued at the time of printing this report. The ATO is still considering the application made by MIGIL.