

Macquarie Infrastructure CO LLC
Form 10-Q
August 01, 2012

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2012

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

Commission File Number: 001-32384

MACQUARIE INFRASTRUCTURE COMPANY LLC

(Exact Name of Registrant as Specified in Its Charter)

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

43-2052503
(IRS Employer
Identification No.)

**125 West 55th Street
New York, New York 10019**

(Address of Principal Executive Offices) (Zip Code)

(212) 231-1000

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year if Changed Since Last Report): **N/A**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 46,645,028 limited liability company interests without par value outstanding at July 31, 2012.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>1</u>
<u>Quantitative and Qualitative Disclosure About Market Risk</u>	<u>34</u>
<u>Controls and Procedures</u>	<u>34</u>
<u>Consolidated Condensed Balance Sheets as of June 30, 2012 (Unaudited) and December 31, 2011</u>	<u>35</u>
<u>Consolidated Condensed Statements of Operations for the Quarters and Six Months Ended June 30, 2012 and 2011 (Unaudited)</u>	<u>36</u>
<u>Consolidated Condensed Statements of Comprehensive Income for the Quarters and Six Months Ended June 30, 2012 and 2011 (Unaudited)</u>	<u>37</u>
<u>Consolidated Condensed Statements of Cash Flows for the Six Months Ended June 30, 2012 and 2011 (Unaudited)</u>	<u>38</u>
<u>Notes to Consolidated Condensed Financial Statements (Unaudited)</u>	<u>39</u>
PART II. OTHER INFORMATION	
<u>Item 1.</u>	<u>57</u>
<u>Legal Proceedings</u>	
<u>Item 1A.</u>	<u>57</u>
<u>Risk Factors</u>	
<u>Item 2.</u>	<u>58</u>
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	
<u>Item 3.</u>	<u>58</u>
<u>Defaults Upon Senior Securities</u>	
<u>Item 4.</u>	<u>58</u>
<u>Mine Safety Disclosures</u>	
<u>Item 5.</u>	<u>58</u>
<u>Other Information</u>	
<u>Item 6.</u>	<u>58</u>
<u>Exhibits</u>	<u>58</u>

Macquarie Infrastructure Company LLC is not an authorized deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and its obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of Macquarie Infrastructure Company LLC.

TABLE OF CONTENTS

PART I

FINANCIAL INFORMATION

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the financial condition and results of operations of Macquarie Infrastructure Company LLC should be read in conjunction with the consolidated condensed financial statements and the notes to those statements included elsewhere herein. This discussion contains forward-looking statements that involve risks and uncertainties and are made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Words such as anticipates, expects, intends, plans, believes, seeks, estimates, and similar expressions identify forward-looking statements. Our actual results and timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under Risk Factors in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. Unless required by law, we can undertake no obligation to update forward-looking statements. Readers should also carefully review the risk factors set forth in other reports and documents filed from time to time with the SEC.

Except as otherwise specified, Macquarie Infrastructure Company, MIC, we, us, and our refer to the Company and its subsidiaries together from June 25, 2007 and, prior to that date, to the Trust, the Company and its subsidiaries. Macquarie Infrastructure Management (USA) Inc., which we refer to as our Manager, is part of the Macquarie Group, comprised of Macquarie Group Limited and its subsidiaries and affiliates worldwide.

We own, operate and invest in a diversified group of infrastructure businesses that provide basic services, such as chilled water for building cooling and gas utility services to businesses and individuals primarily in the U.S. The businesses we own and operate are energy-related businesses consisting of: a 50% interest in International Matex Tank Terminals, or IMTT, The Gas Company and our controlling interest in District Energy; and an aviation-related business, Atlantic Aviation.

Our infrastructure businesses generally operate in sectors with limited competition and significant barriers to entry, including high initial development and construction costs, the existence of long-term contracts or the requirement to obtain government approvals and a lack of immediate cost-efficient alternatives to the services provided. Overall they tend to generate sustainable long-term cash flows.

Overview

In analyzing the financial condition and results of operations of our businesses, we focus primarily on cash generation generally, and our ability to distribute cash to shareholders in particular. The ability of our businesses to generate cash, broadly, is tied to their ability to effectively manage the volume of products/ services sold and the margin earned on those sales. Offsetting these are required payments on debt facilities, taxes and capital expenditures necessary to maintain the productivity of the fixed assets of the businesses, among others.

At IMTT, we focus on the amount of storage under contract and the rates at which that storage is leased to third parties and on making appropriate expenditures in maintaining fixed assets of the business. Management of IMTT believes that the average rate on all storage contracts will be modestly higher in 2012 compared with 2011. Storage utilization is expected to be consistent with 2011, with certain larger tanks to be removed from service for cleaning and inspection later in the year.

At The Gas Company, our focus is on the number of customers served by each of the utility and non-utility portions of the business, and in the case of the non-utility portion, the margins achieved on sales of gas as well. The Gas Company has an active marketing program that seeks to develop new customers throughout Hawaii. We periodically pursue rate cases that allow for adjustment of the rates in the utility portion of the business, although we do not intend to pursue any significant rate case in 2012. The pricing of non-utility gas will be adjusted to reflect changes in the cost of the product and the costs associated with delivering it to customers. In addition to the existing utility and non-utility operations, The Gas Company is developing strategies related to the importation and distribution of Liquefied Natural Gas, or LNG. Small scale importation of LNG is expected to be underway in late 2012 or early 2013.

TABLE OF CONTENTS

At District Energy, we focus on attracting and maintaining relationships with building owners and managers such that they choose to install or continue to use the business cooling services. Absent a resurgence in new construction in downtown Chicago, we expect District Energy to produce financial results consistent with prior years, although full year results remain subject to slight variation based on the extent to which the temperatures and humidity in Chicago are above or below historic norms.

Our energy-related businesses were largely resistant to the recent economic downturn, primarily due to the contracted or utility-like nature of their revenues combined with the essential services they provide and the contractual or regulatory ability to pass through most cost increases to customers. We believe these businesses are generally able to generate consistent cash flows throughout the business cycle.

At Atlantic Aviation, our focus is on attracting and maintaining relationships with general aviation aircraft owners and pilots such that they are incentivized to use our FBOs. General aviation activity has improved since the first quarter of 2009. However, forecasting flight activity levels remains difficult. Nonetheless, we believe that flight activity levels will continue to increase in 2012, subject to continued economic recovery in the United States.

Improvement in general aviation activity levels has resulted in improvement in the operating performance of Atlantic Aviation. Atlantic Aviation is generating a substantial amount of cash; however a significant portion of that cash will be used to reduce Atlantic Aviation's indebtedness. Those repayments are expected to enhance the terms on which we may be able to refinance this debt prior to its maturity in 2014.

Arbitration Proceeding Between MIC and Co-investor in IMTT

On April 18, 2011, MIC initiated formal arbitration proceedings with the Voting Trust of IMTT Holdings Inc. (Voting Trust) and IMTT Holdings Inc. under the auspices of the American Arbitration Association, as provided under the Shareholders Agreement, with respect to a dispute with the co-owner of IMTT regarding distributions. IMTT was named as a respondent because under the Shareholders Agreement it is responsible for any monetary damages resulting from a breach of the Shareholders Agreement by the Voting Trust. On March 29, 2012, the arbitration proceeding concluded with an award in MIC's favor. The arbitration panel directed IMTT to pay a distribution in the amount of \$221.2 million (\$110.6 million to each of MIC and its co-investor) as the total distribution through December 31, 2011. The arbitration panel also denied all of the Voting Trust's counterclaims and directed the parties to comply with certain corporate governance recommendations, including, among others, the retention of independent counsel to advise the Board of Directors of IMTT with respect to the rights, duties and obligations of its members under Delaware law. On May 25, 2012, the Delaware Court of Chancery entered a judgment confirming the arbitration award in all respects, following which, in June of 2012, MIC received \$110.6 million from IMTT in payment of a distribution.

2012 Distribution Dispute Between MIC and Co-Investor in IMTT

Distributions calculated by us in accordance with the Shareholders Agreement between MIC and its co-investor in IMTT (Voting Trust) for the first and second quarters of 2012 were \$45.3 million (\$22.6 million per shareholder) and \$55.3 million (\$27.7 million per shareholder), respectively. The Voting Trust appointed members of IMTT's Board voted against resolutions authorizing those distributions, saying that they would prefer IMTT retain greater cash reserves in the business. Cash, cash equivalents and available committed and unutilized credit facilities would have totaled \$219.6 million and \$241.4 million at March 31, 2012 and June 30, 2012, respectively, had the distributions been paid as required under the Shareholders Agreement. MIC believes that these cash reserve amounts are more than sufficient for IMTT.

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

Subsequently, on July 20, 2012 and July 31, 2012, the IMTT Board unanimously approved the payment of distributions in the amounts of \$17.8 million (\$8.9 million per shareholder) and \$18.7 million (\$9.3 million per shareholder) for the first and second quarters of 2012, respectively. The first quarter distribution was paid on July 24, 2012 and the second quarter distribution is expected to be paid in August of 2012. Both shareholders reserved their rights to dispute the amounts payable.

We believe that the failure of the Voting Trust-appointed members of IMTT's Board to approve the distributions as calculated by MIC is a breach of the Shareholders' Agreement and violates the terms of the

TABLE OF CONTENTS

March 30, 2012 Arbitration Award that clarified the Shareholders Agreement and prescribed the manner for calculating the distribution payable. We further believe that this failure is a violation of the Arbitration Award and has damaged MIC.

The parties appear to be at an impasse with respect to determining the amount of cash, cash equivalents and/or available committed and unutilized credit facilities that are required to be maintained under the Shareholders Agreement as interpreted by the Arbitration Award. Accordingly, as prescribed by the Shareholders Agreement, we may have to commence an arbitration proceeding to collect the total amounts due MIC for the first and second quarters of 2012 and to recover costs and damages. While no timeline has been established for the proceeding, we believe it can be concluded in early 2013.

Dividends

Since January 1, 2011, MIC has paid or declared the following dividends:

Declared	Period Covered	\$ per LLC Interest	Record Date	Payable Date
July 30, 2012	Second quarter 2012	\$ 0.625	August 13, 2012	August 16, 2012
April 30, 2012	First quarter 2012	\$ 0.20	May 14, 2012	May 17, 2012
February 1, 2012	Fourth quarter 2011	\$ 0.20	March 5, 2012	March 8, 2012
October 31, 2011	Third quarter 2011	\$ 0.20	November 14, 2011	November 17, 2011
August 1, 2011	Second quarter 2011	\$ 0.20	August 15, 2011	August 18, 2011
May 2, 2011	First quarter 2011	\$ 0.20	May 11, 2011	May 18, 2011

Our Board has expressed its intent to distribute substantially all of the cash generated by our businesses to our shareholders in the form of a quarterly cash dividend. Not all of the cash flow generated by our businesses is currently available for distribution. The payment of a cash dividend of \$0.625 per share is being paid out of cash generated by our operating entities, supplemented by cash on hand, including the \$110.6 million of distributions received from IMTT discussed above. Following the successful refinancing of Atlantic Aviation's debt facilities prior to their maturity in October of 2014, and contingent upon the resolution of matters limiting the distribution of cash from IMTT (described above), the continued stable performance of MIC's businesses, and subject to prevailing economic conditions, our Board will consider increasing the amount of the quarterly cash dividend.

Tax Treatment of Dividends

We expect that dividends paid in 2012 are likely to be characterized in part as a dividend and in part as a return of capital for tax purposes. Shareholders would include in their taxable income that portion which is characterized as a dividend. We anticipate that any portion that is characterized as a dividend for U.S. federal income tax purposes will be eligible for treatment as qualified dividend income, subject to the shareholder having met the holding period requirements as defined by the Internal Revenue Code. Any portion that is characterized as a return of capital for tax purposes would generally not be includable in the shareholder's taxable income, but would reduce the shareholder's basis in the shares on which the dividend was paid. Dividends characterized as a return of capital in excess of a shareholder's tax basis may result in a capital gain. Holders of MIC LLC interests are encouraged to seek their own tax

advice with regards to their investment in MIC.

Income Taxes

We file a consolidated federal income tax return that includes the taxable income of The Gas Company and Atlantic Aviation. IMTT and District Energy file separate federal income tax returns. Distributions from IMTT and District Energy may be characterized as non-taxable returns of capital and reduce our tax basis in these businesses, or as a taxable dividend. We will include in our taxable income the dividend portion of any distributions, which are eligible for the 80% dividends received deduction. We also receive and include in taxable income interest income from District Energy on intercompany debt.

As a result of having federal net operating loss, or NOL, carryforwards, we do not expect to have a consolidated regular federal income tax liability or make regular federal tax payments at least through the 2013 tax year. However, we expect to pay an Alternative Minimum Tax of approximately \$620,000 for 2012,

TABLE OF CONTENTS

which includes \$150,000 related to District Energy. We expect that the Alternative Minimum Tax paid for 2012 will be available as a credit against regular federal income taxes in the future. The cash state and local taxes paid by our individual businesses are discussed in the sections entitled *Income Taxes* for each of these businesses.

Pursuant to the tax sharing agreements, the individual businesses included in our consolidated federal income tax return pay MIC an amount equal to the federal income taxes each would have paid on a standalone basis if they were not part of the MIC consolidated federal income tax return.

Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010

In December 2010, the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (the Act) was signed. The Act provides for 100% tax depreciation for certain fixed assets placed in service after September 8, 2010 and before January 1, 2012, and 50% tax depreciation for certain fixed assets placed in service during 2012 for federal income tax purposes. Generally, states do not allow this tax depreciation deduction in determining state taxable income. Importantly, Illinois and Louisiana, two states in which we have significant operations, do permit the use of federal tax depreciation deductions in calculating state taxable income. The Company took and will take into consideration the benefits of these accelerated depreciation provisions of the Act when evaluating capital expenditure plans for the remainder of 2012.

President Obama's proposed budget for 2012 includes an extension of the 100% tax depreciation for certain fixed assets. There is some congressional support for this proposal, although there can be no certainty that any extension will be approved. Such approval, if made, may result in our accelerating a portion of our business maintenance capital expenditures into 2012 in order to capture the associated tax benefit.

Results of Operations

Consolidated

Key Factors Affecting Operating Results:

strong performance from our energy-related businesses reflecting:
an increase in average storage rates and capacity utilization at IMTT;
an increase in non-utility contribution margin at The Gas Company; and
an increase in consumption gross profit at District Energy.
improved contribution from Atlantic Aviation reflecting:
increased volume of general aviation fuel sold; and
lower interest expense; partially offset by
reduced de-icing revenue.

TABLE OF CONTENTS**Results of Operations: Consolidated (continued)**

Our consolidated results of operations are as follows:

	Quarter Ended June 30,		Change		Six Months Ended June		Change	
	2012	2011	Favorable/ \$	(Unfavorable) %	2012	2011	Favorable/ \$	(Unfavorable) %
	(\$ In Thousands) (Unaudited)							
Revenue								
Revenue from product sales	\$ 169,129	\$ 161,582	7,547	4.7	\$ 342,083	\$ 314,646	27,437	8.7
Revenue from product sales utility	36,807	36,421	386	1.1	75,121	70,694	4,427	6.3
Service revenue	51,430	47,923	3,507	7.3	103,839	99,170	4,669	4.7
Financing and equipment lease income	1,150	1,261	(111)	(8.8)	2,329	2,548	(219)	(8.6)
Total revenue	258,516	247,187	11,329	4.6	523,372	487,058	36,314	7.5
Costs and expenses								
Cost of product sales	115,720	113,226	(2,494)	(2.2)	235,101	218,551	(16,550)	(7.6)
Cost of product sales utility	31,324	30,772	(552)	(1.8)	63,496	57,637	(5,859)	(10.2)
Cost of services	13,784	12,690	(1,094)	(8.6)	26,445	24,844	(1,601)	(6.4)
Gross profit	97,688	90,499	7,189	7.9	198,330	186,026	12,304	6.6
Selling, general and administrative	50,467	48,309	(2,158)	(4.5)	105,730	99,979	(5,751)	(5.8)
Fees to manager-related party	4,760	4,156	(604)	(14.5)	9,755	7,788	(1,967)	(25.3)
Depreciation	7,557	8,623	1,066	12.4	15,108	15,833	725	4.6
Amortization of intangibles	8,546	16,044	7,498	46.7	17,092	24,763	7,671	31.0
Loss on disposal of assets	327	1,225	898	73.3	327	1,225	898	73.3
Total operating expenses	71,657	78,357	6,700	8.6	148,012	149,588	1,576	1.1
Operating income	26,031	12,142	13,889	114.4	50,318	36,438	13,880	38.1
Other income (expense)								
Interest income	4	97	(93)	(95.9)	6	101	(95)	(94.1)
Interest expense ⁽¹⁾	(10,925)	(19,866)	8,941	45.0	(23,932)	(34,335)	10,403	30.3
Equity in earnings and amortization charges of investees	6,805	3,270	3,535	108.1	16,306	11,632	4,674	40.2
Other income (expense), net	48	(46)	94	NM	(4)	(395)	391	99.0
Net income (loss) before income taxes	21,963	(4,403)	26,366	NM	42,694	13,441	29,253	NM
(Provision) benefit for income taxes	(9,935)	488	(10,423)	NM	(16,456)	(6,498)	(9,958)	(153.2)
Net income (loss)	\$ 12,028	\$ (3,915)	15,943	NM	\$ 26,238	\$ 6,943	19,295	NM
Less: net income (loss) attributable to noncontrolling interests	890	(1,425)	(2,315)	(162.5)	1,008	(1,732)	(2,740)	(158.2)
	\$ 11,138	\$ (2,490)	13,628	NM	\$ 25,230	\$ 8,675	16,555	190.8

Net income (loss)
attributable to MIC LLC

NM Not meaningful

- (1) Interest expense includes non-cash gains on derivative instruments of \$7.5 million and \$13.1 million for the quarter and six months ended June 30, 2012, respectively. For the quarter and six months ended June 30, 2011, interest expense includes non-cash losses on derivative instruments of \$545,000 and non-cash gains on derivative instruments of \$5.0 million, respectively.

5

TABLE OF CONTENTS**Results of Operations: Consolidated (continued)****Gross Profit**

Consolidated gross profit increased reflecting improved results in the non-utility business at The Gas Company and both fuel and non-fuel gross profit at Atlantic Aviation and at District Energy.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased primarily due to legal costs at the holding company level, most significantly those incurred in the arbitration proceedings between MIC and its IMTT co-investor. Selling, general and administrative expenses were also higher at The Gas Company and District Energy.

Fees to Manager

Base management fees to our Manager increased in line with our increased market capitalization. Our Manager elected to reinvest its base management fees for the six months ended June 30, 2012 and the year ended December 31, 2011, respectively, in additional LLC interests as follows:

Period	Base Management Fee Amount (\$ in thousands)	LLC Interests Issued	Issue Date
2012 Activities:			
Second quarter 2012	\$ 4,760	(1)	(1)
First quarter 2012	4,995	147,682	May 31, 2012
2011 Activities:			
Fourth quarter 2011	\$ 4,222	135,987	March 20, 2012
Third quarter 2011	3,465	130,344	November 30, 2011
Second quarter 2011	4,156	179,623	August 31, 2011
First quarter 2011	3,632	144,742	June 6, 2011

(1) LLC interests for the second quarter of 2012 base management fee will be issued to our Manager during the third quarter of 2012.

Depreciation

The decrease in depreciation primarily reflects the non-cash asset impairment charge of \$1.4 million recorded at Atlantic Aviation during the quarter ended June 30, 2011. This non-cash impairment charge resulted from adverse trading conditions specific to three small locations. There were no fixed asset related impairment charges during the six months ended June 30, 2012.

Amortization of Intangibles

The decrease in amortization of intangibles expense reflects the non-cash impairment charge of \$7.3 million recorded at Atlantic Aviation during the quarter ended June 30, 2011. This impairment charge resulted from adverse trading conditions specific to three small locations. There were no intangible asset related impairment charges during the six

months ended June 30, 2012.

Interest Expense and Gains on Derivative Instruments

Interest expense includes non-cash gains on derivative instruments of \$7.5 million and \$13.1 million for the quarter and six months ended June 30, 2012, respectively, and non-cash losses of \$545,000 and non-cash gains on derivative instruments of \$5.0 million for the quarter and six months ended June 30, 2011, respectively. Non-cash gains (losses) on derivatives recorded in interest expense are attributable to the change in fair value of interest rate swaps and includes the reclassification of amounts from accumulated other comprehensive loss into earnings. Excluding the portion related to non-cash gains (losses) on derivatives, interest expense decreased for the six months ended June 30, 2012 primarily due to the lower term loan principal balance at Atlantic Aviation.

6

TABLE OF CONTENTS

Results of Operations: *Consolidated* (continued)

Equity in Earnings and Amortization Charges of Investee

The increase in equity in the earnings for the six months ended June 30, 2012 reflects our share of the net income of IMTT and our share of the non-cash derivative gains for the six months ended June 30, 2012 compared with non-cash losses for the six months ended June 30, 2011.

The increase in equity in the earnings for the quarter ended June 30, 2012 reflects our share of the net income of IMTT and our share of the decrease in non-cash losses for the quarter ended June 30, 2012 compared with the quarter ended June 30, 2011.

IMTT's net income increased for the quarter and six months ended June 30, 2012 as a result of improvements in operating results.

Income Taxes

For 2012, we expect that any consolidated taxable income will be fully offset by our NOL carryforwards. At December 31, 2011, our federal NOL balance was \$135.2 million. This balance excludes the NOL carryforwards of District Energy (see District Energy *Income Taxes* below). For 2012, we expect to pay a federal Alternative Minimum Tax of approximately \$620,000, which includes \$150,000 related to District Energy.

As we own less than 80% of IMTT and District Energy, these businesses are not included in our consolidated federal tax return. These businesses file separate federal income tax returns. We expect that dividends from District Energy in 2012 will be treated as taxable dividends and qualify for the 80% Dividends Received Deduction. With respect to IMTT, we expect that no more than \$190,000 of distributions received will be taxable as a dividend, with the balance being a return of capital.

As of June 30, 2012, our projected full year federal and state income taxes will be approximately 38.54% of net income before taxes. Accordingly, our provision for income taxes for the six months ended June 30, 2012 is approximately \$16.5 million, of which \$2.2 million is for state and local income taxes. The difference between our effective tax rate and the U.S. federal statutory rate of 35% is primarily attributable to state and local income taxes and adjustments for our less than 80% owned businesses.

Valuation allowance:

From the date of sale of the noncontrolling interest in District Energy and onwards, we evaluate the need for a valuation allowance against our deferred tax assets without taking into consideration the deferred tax liabilities of District Energy. As of December 31, 2011, our valuation allowance was approximately \$10.5 million. In calculating our consolidated income tax provision for the six months ended June 30, 2012, we provided for an increase in the valuation allowance of \$897,000. During 2011, we increased the valuation allowance by \$1.3 million for certain state NOL carryforwards.

TABLE OF CONTENTS

Results of Operations: *Consolidated* (continued)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) excluding non-cash items and Free Cash Flow

We have disclosed EBITDA excluding non-cash items for our Company and each of our operating segments in Note 9, Reportable Segments, in our consolidated condensed financial statements, as a key performance metric relied on by management in evaluating our performance. EBITDA excluding non-cash items is defined as earnings before interest, taxes, depreciation and amortization and non-cash items, which includes impairments, derivative gains and losses and adjustments for other non-cash items reflected in the statements of operations. We believe EBITDA excluding non-cash items provides additional insight into the performance of our operating businesses relative to each other and similar businesses without regard to their capital structure, and their ability to service or reduce debt, fund capital expenditures and/or support distributions to the holding company.

We also disclose Free Cash Flow, as defined by us, as a means of assessing the amount of cash generated by our businesses and supplementing other information provided in accordance with GAAP. We define Free Cash Flow as cash from operating activities, less maintenance capital expenditures and changes in working capital.

We believe that reporting Free Cash Flow will provide our investors with additional insight into our future ability to deploy cash, as GAAP metrics such as net income and cash from operating activities do not reflect all of the items that our management considers in estimating the amount of cash generated by our operating entities. In this Quarterly Report on Form 10-Q, we have disclosed Free Cash Flow for our consolidated results and for each of our operating segments.

We note that Free Cash Flow does not fully reflect our ability to freely deploy generated cash, as it does not reflect required payments to be made on our indebtedness, pay dividends and other fixed obligations or the other cash items excluded when calculating Free Cash Flow. We also note that Free Cash Flow may be calculated in a different manner by other companies, which limits its usefulness as a comparative measure. Therefore, our Free Cash Flow should be used as a supplemental measure and not in lieu of our financial results reported under GAAP.

TABLE OF CONTENTS**Results of Operations: Consolidated (continued)**

A reconciliation of net income (loss) attributable to MIC LLC to EBITDA excluding non-cash items and EBITDA excluding non-cash items to Free Cash Flow, on a consolidated basis, is provided below:

	Quarter Ended June 30,		Change		Six Months Ended June		Change	
	2012	2011	Favorable/(\$	(Unfavorable)/%	2012	2011	Favorable/(\$	(Unfavorable)/%
	(\$ In Thousands) (Unaudited)							
Net income (loss) attributable to MIC LLC ⁽¹⁾	\$11,138	\$(2,490)			\$25,230	\$8,675		
Interest expense, net ⁽²⁾	10,921	19,769			23,926	34,234		
Provision (benefit) for income taxes	9,935	(488)			16,456	6,498		
Depreciation ⁽³⁾	7,557	8,623			15,108	15,833		
Depreciation cost of services ⁽³⁾	1,677	1,658			3,351	3,305		
Amortization of intangibles ⁽⁴⁾	8,546	16,044			17,092	24,763		
Loss on disposal of assets	47	1,153			47	1,153		
Equity in earnings and amortization charges of investees ⁽⁵⁾	9,501	(3,270)				(11,632)		
Base management fees settled/to be settled in LLC interests	4,760	4,156			9,755	7,788		
Other non-cash expense (income), net	1,974	(759)			2,725	(313)		
EBITDA excluding non-cash items	\$66,056	\$44,396	21,660	48.8	\$113,690	\$90,304	23,386	25.9
EBITDA excluding non-cash items	\$66,056	\$44,396			\$113,690	\$90,304		
Interest expense, net ⁽²⁾	(10,921)	(19,769)			(23,926)	(34,234)		
Interest rate swap breakage fees ⁽²⁾	(252)	(627)			(500)	(1,732)		
Non-cash derivative (gains) losses recorded in interest expense ⁽²⁾	(7,232)	1,172			(12,614)	(3,233)		
Amortization of debt financing costs ⁽²⁾	965	1,030			1,943	2,060		
Cash distributions received in excess of equity in earnings and amortization charges of investees ⁽⁶⁾	54,625				54,625			
Equipment lease receivables, net	872	753			1,710	1,493		
Provision/benefit for income taxes, net of changes in deferred taxes	(1,573)	(196)			(2,326)	(1,128)		
Changes in working capital	(1,439)	(7,014)			(7,771)	(12,243)		
Cash provided by operating activities	101,101	19,745			124,831	41,287		
Changes in working capital	1,439	7,014			7,771	12,243		
Maintenance capital expenditures	(4,734)	(3,912)			(8,461)	(7,074)		
Free cash flow	\$97,806	\$22,847	74,959	NM	\$124,141	\$46,456	77,685	167.2

Net income (loss) attributable to MIC LLC excludes net income attributable to noncontrolling interests of \$890,000 and \$1.0 million for the quarter and six months ended June 30, 2012, respectively, and net loss attributable to noncontrolling interests of \$1.4 million and \$1.7 million for the quarter and six months ended June 30, 2011, respectively.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) excluding non-cash items and Free Cash

(2) Interest expense, net, includes non-cash gains (losses) on derivative instruments, non-cash amortization of deferred financing fees and interest rate swap breakage fees.

Depreciation cost of services includes depreciation expense for District Energy, which is reported in cost of services in our consolidated condensed statements of operations. Depreciation and Depreciation cost of services does not include acquisition-related step-up depreciation expense of \$2.0 million and \$3.9 million for the quarter and six months ended June 30, 2012, respectively, and \$1.9 million and \$3.6 million for the quarter and six months ended June 30, 2011, respectively, in connection with our investment in IMTT, which is reported in equity in earnings and amortization charges of investees in our consolidated condensed statements of operations.

9

TABLE OF CONTENTS

Results of Operations: Consolidated (continued)

Amortization of intangibles does not include acquisition-related step-up amortization expense of \$85,000 and \$171,000 for the quarter and six months ended June 30, 2012, respectively, and \$151,000 and \$435,000 for the (4) quarter and six months ended June 30, 2011, respectively, in connection with our investment in IMTT, which is reported in equity in earnings and amortization charges of investees in our consolidated condensed statements of operations.

Equity in earnings and amortization charges of investees in the above table includes our 50% share of IMTT's earnings, offset by the distributions we received only up to our share of the earnings recorded in the calculation for EBITDA excluding non-cash items. For the quarter and six months ended June 30, 2012, we recognized equity in earnings and amortization charges of investee income of \$6.8 million and \$16.3 million, respectively, in the (5) consolidated condensed statement of operations, which was fully offset by the cash distributions received in June of 2012. The \$9.5 million for the quarter ended June 30, 2012 represents the excess cash distributions received from IMTT over \$16.3 million that was applied on the equity in earnings and amortization charges of investee income recognized during the quarter. See *Arbitration Proceeding Between MIC and Co-investor in IMTT* for further discussions.

Cash distributions received in excess of equity in earnings and amortization charges of investee in the above table is the excess cumulative distributions received to the cumulative earnings recorded in equity in earnings and amortization charges of investees, since our investment in IMTT, adjusted for the current periods equity in earnings and amortization charges of investees in the calculation from net income (loss) attributable to MIC LLC to (6) EBITDA excluding non-cash items above. The cumulative allocation of the \$110.6 million distributions received in June of 2012 was \$70.9 million recorded in net cash provided by operating activities and \$39.6 million recorded in net cash provided by investing activities, as a return on investment, on the consolidated condensed statements of cash flows. See *Arbitration Proceeding Between MIC and Co-investor in IMTT* for further discussions.

Energy-Related Businesses

IMTT

We account for our 50% interest in IMTT under the equity method. To enable meaningful analysis of IMTT's performance across periods, IMTT's overall performance is discussed below, rather than IMTT's contribution to our consolidated results.

Key Factors Affecting Operating Results:

terminal revenue and terminal gross profit increased principally due to an increase in average tank rental rates and higher utilization; and

lower labor and repairs and maintenance costs; partially offset by a decrease in environmental response service gross profit, principally due to a lower level of spill response activity.

TABLE OF CONTENTS**Energy-Related Business: *IMTT* (continued)**

	Quarter Ended June 30,				Six Months Ended June 30,			
	2012	2011	Change Favorable/(Unfavorable)		2012	2011	Change Favorable/(Unfavorable)	
	\$	\$	\$	%	\$	\$	\$	%
	(\$ In Thousands) (Unaudited)							
Revenue								
Terminal revenue	109,167	101,436	7,731	7.6	220,784	207,451	13,333	6.4
Environmental response revenue	4,596	5,514	(918)	(16.6)	10,983	10,330	653	6.3
Total revenue	113,763	106,950	6,813	6.4	231,767	217,781	13,986	6.4
Costs and expenses								
Terminal operating costs	45,905	48,121	2,216	4.6	92,377	94,170	1,793	1.9
Environmental response operating costs	4,446	4,012	(434)	(10.8)	9,602	8,743	(859)	(9.8)
Total operating costs	50,351	52,133	1,782	3.4	101,979	102,913	934	0.9
Terminal gross profit	63,262	53,315	9,947	18.7	128,407	113,281	15,126	13.4
Environmental response gross profit	150	1,502	(1,352)	(90.0)	1,381	1,587	(206)	(13.0)
Gross profit	63,412	54,817	8,595	15.7	129,788	114,868	14,920	13.0
General and administrative expenses	7,341	7,717	376	4.9	14,800	15,580	780	5.0
Depreciation and amortization	17,117	16,360	(757)	(4.6)	34,024	32,035	(1,989)	(6.2)
Operating income	38,954	30,740	8,214	26.7	80,964	67,253	13,711	20.4
Interest expense, net ⁽¹⁾	(11,790)	(16,311)	4,521	27.7	(18,381)	(20,994)	2,613	12.4
Other income	807	341	466	136.7	1,263	1,120	143	12.8
Provision for income taxes	(11,869)	(5,903)	(5,966)	(101.1)	(26,236)	(19,447)	(6,789)	(34.9)
Noncontrolling interest	(86)	66	(152)	NM	(185)	91	(276)	NM
Net income	16,016	8,933	7,083	79.3	37,425	28,023	9,402	33.6
Reconciliation of net income to EBITDA excluding non-cash items:								
Net income	16,016	8,933			37,425	28,023		
Interest expense, net ⁽¹⁾	11,790	16,311			18,381	20,994		
Provision for income taxes	11,869	5,903			26,236	19,447		
Depreciation and amortization	17,117	16,360			34,024	32,035		
Other non-cash expense (income)	90	(46)			278	(54)		
EBITDA excluding non-cash items	56,882	47,461	9,421	19.8	116,344	100,445	15,899	15.8
EBITDA excluding non-cash items	56,882	47,461			116,344	100,445		
Interest expense, net ⁽¹⁾	(11,790)	(16,311)			(18,381)	(20,994)		
Non-cash derivative losses (gains) recorded in interest expense ⁽¹⁾	2,316	7,640			(363)	3,308		
	809	807			1,614	1,618		

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

Amortization of debt financing costs ⁽¹⁾								
Provision for income taxes, net of changes in deferred taxes	(3,769)	304			(8,603)	(7,584)		
Changes in working capital	4,683	(14,479)			12,298	(12,847)		
Cash provided by operating activities	49,131	25,422			102,909	63,946		
Changes in working capital	(4,683)	14,479			(12,298)	12,847		
Maintenance capital expenditures	(7,335)	(13,005)			(15,453)	(21,519)		
Free cash flow	37,113	26,896	10,217	38.0	75,158	55,274	19,884	36.0

NM Not meaningful

(1) Interest expense, net, includes non-cash (losses) gains on derivative instruments and non-cash amortization of deferred financing fees.

11

TABLE OF CONTENTS

Energy-Related Business: *IMTT* (continued)

Revenue and Gross Profit

The increase in terminal revenue primarily reflects growth in storage revenue. Storage revenue grew due to an increase in average rental rates of 5.8% and 5.7% for the quarter and six months ended June 30, 2012, respectively, as compared with the quarter and six months ended June 30, 2011. Of the 12.7 million barrels of storage to be renewed in 2012, approximately 31% was renewed during the six months ended June 30, 2012. As previously disclosed, a disproportionately large share of the 2012 renewals is due to occur in the latter part of the year. At this stage, visibility into future pricing remains unclear. MIC believes that full year average storage rates will increase for fiscal 2012 as compared with fiscal 2011 between 5.5% and 7.5%.

Capacity utilization was 94.3% and 95.1% for the quarter and six months ended June 30, 2012, respectively, compared with 94.3% and 94.0% for the quarter and six months ended June 30, 2011, respectively, as fewer tanks were taken out of service for cleaning and inspection in the first quarter of 2012 as compared with the second quarter of 2012. MIC believes the full year capacity utilization will be at 2011 levels.

Terminal operating costs were lower for the quarter and six months ended June 30, 2012 as compared with the quarter and six months ended June 30, 2011 primarily due to lower fuel costs, reflecting a lower cost of natural gas, labor costs and maintenance and repair costs. As anticipated, repair and maintenance costs and labor costs decreased as unfavorable health care claims and tank repairs in the first half of 2011 did not recur.

Gross profit from environmental response services decreased with a lower level of spill response activity during the quarter and six months ended June 30, 2012.

General and Administrative Expenses

General and administrative expenses decreased for the quarter and six months ended June 30, 2012 as compared with the quarter and six months ended June 30, 2011 primarily due to reclassification of loan commitment fees to interest expense.

Depreciation and Amortization

Depreciation and amortization expense increased for the quarter and six months ended June 30, 2012 as IMTT placed capital assets in service, resulting in higher asset balances.

Interest Expense, Net

Interest expense, net, includes non-cash losses of \$2.3 million and non-cash gains of \$363,000 on derivative instruments for the quarter and six months ended June 30, 2012, respectively. For the quarter and six months ended June 30, 2011, interest expense, net, includes non-cash losses on derivative instruments of \$7.6 million and \$3.3 million, respectively.

Cash interest paid was \$8.4 million and \$16.7 million for the quarter and six months ended June 30, 2012, respectively, and \$8.2 million and \$16.8 million for the quarter and six months ended June 30, 2011, respectively.

Income Taxes

The business files a consolidated federal income tax return and separate state income tax returns in five states.

For 2012, IMTT estimates it will pay approximately \$12.0 million of federal income taxes and \$5.2 million of state income taxes. IMTT's actual federal tax liability could be higher or lower depending on value of capital assets placed in service during the year and the extent to which IMTT is able to realize the benefits of bonus depreciation of those assets.

In the first quarter of 2012, IMTT recorded a current income tax provision of \$11.4 million. This provision included the tax benefits of accelerated depreciation on only those assets actually placed in service during the first quarter of 2012. Generally Accepted Accounting Principles require IMTT to estimate the tax benefits of accelerated depreciation on assets expected to be placed in service during the entire year and recognize those benefits on a pro-rata basis in each interim period. Therefore, MIC recalculated the current income tax provision provided by IMTT.

12

TABLE OF CONTENTS

Energy-Related Business: *IMTT* (continued)

Based on MIC's recalculation, the current income tax provision for the first quarter of 2012 should have been \$4.8 million instead of the \$11.4 million reported. The \$6.6 million reduction in the current income tax provision for the first quarter of 2012 was offset by a \$6.6 million increase in the deferred income tax provision resulting in no net change to the total tax provision for the first quarter of 2012. The recalculated current income tax provision for the quarter and six months ended June 30, 2012 of \$3.8 million and \$8.6 million, respectively, is reflected in the Provision for income taxes, net of changes in deferred taxes line in the above table.

For 2011, IMTT recorded \$28.9 million of federal income tax expense and \$5.9 million of state income tax expense. IMTT made federal tax payments related to 2011 of \$8.4 million and state tax payments of \$4.7 million. The federal income tax expense exceeded the cash taxes primarily due to the benefit of accelerated tax depreciation, which is discussed below.

A significant difference between IMTT's book and federal taxable income relates to depreciation of terminalling fixed assets. For book purposes, these fixed assets are depreciated primarily over 15 to 30 years using the straight-line method of depreciation. For federal income tax purposes, these fixed assets are depreciated primarily over 5 to 15 years using accelerated methods. Most terminalling fixed assets placed in service in 2010, 2011 and 2012 did or should qualify for the federal 50% or 100% tax depreciation, except assets placed in service in Louisiana and financed with GO Zone Bonds. A significant portion of Louisiana terminalling fixed assets constructed since Hurricane Katrina were financed with Gulf Opportunity Zone Bonds (GO Zone Bonds). GO Zone Bond financed assets are depreciated, for tax purposes, primarily over 9 to 20 years using the straight-line depreciation method. Most of the states in which the business operates do not allow the use of the federal tax depreciation calculation methods.

The Gas Company

Key Factors Affecting Operating Results:

an increase in non-utility contribution margin driven by margin management and an increase in the volume of gas sold; and

an increase in utility contribution margin driven by an increase in the volume of gas sold; partially offset by higher operating costs primarily due to an increase in welfare and benefit costs, overtime and vendor services.

13

TABLE OF CONTENTS**Energy-Related Business: *The Gas Company* (continued)**

	Quarter Ended June 30,				Six Months Ended June 30,		Change	
	2012	2011	Change Favorable/(Unfavorable)		2012	2011	Favorable/(Unfavorable)	
	\$	\$	\$	%	\$	\$	\$	%
(\$ In Thousands) (Unaudited)								
Contribution margin								
Revenue non-utility	29,748	26,935	2,813	10.4	61,377	54,286	7,091	13.1
Cost of revenue non-utility	13,554	14,315	761	5.3	29,127	30,372	1,245	4.1
Contribution margin non-utility	16,194	12,620	3,574	28.3	32,250	23,914	8,336	34.9
Revenue utility	36,807	36,421	386	1.1	75,121	70,694	4,427	6.3
Cost of revenue utility	27,149	27,206	57	0.2	55,366	51,211	(4,155)	(8.1)
Contribution margin utility	9,658	9,215	443	4.8	19,755	19,483	272	1.4
Total contribution margin	25,852	21,835	4,017	18.4	52,005	43,397	8,608	19.8
Production	2,127	1,778	(349)	(19.6)	4,133	3,454	(679)	(19.7)
Transmission and distribution	5,649	5,021	(628)	(12.5)	11,097	9,419	(1,678)	(17.8)
Gross profit	18,076	15,036	3,040	20.2	36,775	30,524	6,251	20.5
Selling, general and administrative expenses	4,558	4,041	(517)	(12.8)	9,815	8,258	(1,557)	(18.9)
Depreciation and amortization	1,902	1,802	(100)	(5.5)	3,843	3,575	(268)	(7.5)
Operating income	11,616	9,193	2,423	26.4	23,117	18,691	4,426	23.7
Interest expense, net ⁽¹⁾	(1,516)	(3,483)	1,967	56.5	(3,407)	(5,497)	2,090	38.0
Other expense	(63)	(127)	64	50.4	(132)	(279)	147	52.7
Provision for income taxes	(3,913)	(2,310)	(1,603)	(69.4)	(7,712)	(5,212)	(2,500)	(48.0)
Net income ⁽²⁾	6,124	3,273	2,851	87.1	11,866	7,703	4,163	54.0
Reconciliation of net income to EBITDA excluding non-cash items:								
Net income ⁽²⁾	6,124	3,273			11,866	7,703		
Interest expense, net ⁽¹⁾	1,516	3,483			3,407	5,497		
Provision for income taxes	3,913	2,310			7,712	5,212		
Depreciation and amortization	1,902	1,802			3,843	3,575		
Other non-cash expenses	995	512			1,802	1,182		
EBITDA excluding non-cash items	14,450	11,380	3,070	27.0	28,630	23,169	5,461	23.6
EBITDA excluding non-cash items	14,450	11,380			28,630	23,169		
Interest expense, net ⁽¹⁾	(1,516)	(3,483)			(3,407)	(5,497)		
Non-cash derivative (gains) losses recorded in interest expense ⁽¹⁾	(832)	1,173			(1,297)	897		
Amortization of debt financing costs ⁽¹⁾	119	120			239	239		
Provision for income taxes, net of changes in deferred taxes	(2,205)	(1,260)			(4,375)	(3,545)		

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

Changes in working capital	(847)	(2,034)			(3,705)	(6,449)		
Cash provided by operating activities	9,169	5,896			16,085	8,814		
Changes in working capital	847	2,034			3,705	6,449		
Maintenance capital expenditures	(1,421)	(1,660)			(3,185)	(3,920)		
Free cash flow	8,595	6,270	2,325	37.1	16,605	11,343	5,262	46.4

(1) Interest expense, net, includes non-cash gains (losses) on derivative instruments and non-cash amortization of deferred financing fees.

(2) Corporate allocation expense, intercompany fees and the tax effect have been excluded from the above table as they are eliminated on consolidation at the MIC Inc. level.

14

TABLE OF CONTENTS

Energy-Related Business: *The Gas Company* (continued)

Management believes that the presentation and analysis of contribution margin, a non-GAAP performance measure, is meaningful to understanding the business performance under both a utility rate structure and a non-utility unregulated pricing structure. Regulation of the utility portion of The Gas Company's operations provides for the pass through of increases or decreases in feedstock costs to customers. Changes in the cost of Liquefied Petroleum Gas, or LPG, distributed to non-utility customers can be recovered in pricing, subject to competitive conditions.

Contribution margin should not be considered an alternative to revenue, gross profit, operating income, or net income, determined in accordance with U.S. GAAP. A reconciliation of contribution margin to gross profit is presented in the above table. The business calculates contribution margin as revenue less direct costs of revenue other than production and transmission and distribution costs. Other companies may calculate contribution margin differently or may use different metrics and, therefore, the contribution margin presented for The Gas Company is not necessarily comparable with metrics of other companies.

Contribution Margin and Operating Income

Non-utility contribution margin improved as the result of margin management, input cost reduction and an increase in volume of gas sold. The volume of gas sold in the non-utility business increased 10.0% and 8.3% for the quarter and six months ended June 30, 2012, respectively, despite disruptions in supply from the local refineries.

Utility contribution margin was higher for the quarter and six months ended June 30, 2012 driven by a 2.1% and 2.7% increase in the volume of gas sold, respectively. The feedstock contract negotiated between The Gas Company and Tesoro during 2011 was formally approved by the HPUC on May 2, 2012.

As previously noted, in January of 2012, Tesoro announced plans to consider selling all of its operations in Hawaii, including its refinery on Oahu. The Tesoro refinery currently supplies The Gas Company with naphtha, which it converts into Synthetic Natural Gas, or SNG, for its Oahu utility business. As The Gas Company had been concerned about its ability to rely upon the Tesoro facility in the long-term to supply naphtha, it has been actively evaluating alternatives for some time in the event that the facility closes or limits supply. The alternatives include some combination of: extended usage of the backup utility propane air unit; importation of naphtha; sourcing of naphtha from the Chevron refinery; and the importation of LNG. The Gas Company is developing strategies related to the importation and distribution of LNG and placed orders for equipment to import LNG in small scale from the west coast of North America as an emergency backup feedstock. This small scale importation of LNG is expected to be underway in late 2012. The Gas Company believes that it will be able to supply Oahu utility customers with gas irrespective of whether the Tesoro refinery continues to operate.

Production, transmission and distribution and selling, general and administrative expenses are composed primarily of labor-related expenses and professional fees. On a combined basis, these costs were higher for the quarter and six months ended June 30, 2012 compared with the quarter and six months ended June 30, 2011 reflecting higher incentive compensation, increase in medical premiums and increased vendor services. In addition, costs were higher for the quarter ended June 30, 2012 due to increase in overtime.

Interest Expense, Net

Interest expense, net, includes non-cash gains on derivative instruments of \$832,000 and \$1.3 million for the quarter and six months ended June 30, 2012, respectively. For the quarter and six months ended June 30, 2011, interest

expense, net, includes non-cash losses on derivative instruments of \$1.2 million and \$897,000, respectively. Excluding the non-cash gains (losses) on derivative instruments, interest expense was slightly higher primarily due to increased capital expenditure facility borrowings and a contractual increase in interest rate margin for The Gas Company's primary debt facility beginning in June of 2011.

Cash interest paid was \$2.3 million and \$4.5 million for the quarter and six months ended June 30, 2012, respectively, compared with \$2.1 million and \$4.3 million for the quarter and six months ended June 30, 2011, respectively.

TABLE OF CONTENTS

Energy-Related Business: *The Gas Company* (continued)

Income Taxes

Income from The Gas Company is included in our consolidated federal income tax return, and is subject to Hawaii state income taxes. The tax expense in the table above includes both state taxes and the portion of the consolidated federal tax liability attributable to the business. For the year ending December 31, 2012, the business expects to pay cash state income taxes of approximately \$1.5 million, for which a provision of \$808,000 was recorded for the six months ended June 30, 2012. The Provision for income taxes, net of changes in deferred taxes of \$4.4 million for the six months ended June 30, 2012 in the above table, includes \$3.6 million of federal income taxes payable to MIC for the six months ended June 30, 2012. Any current federal income tax liability is expected to be offset in consolidation by the application of NOLs.

The business federal taxable income differs from book income primarily as a result of differences in the depreciation of fixed assets. The state of Hawaii does not allow the federal bonus depreciation deduction of 100% for 2011 or 50% for 2012 in determining state taxable income.

District Energy

Customers of District Energy pay two charges to receive chilled water services: a fixed charge based on contracted capacity and a variable charge based on the consumption of chilled water. Capacity charges are typically adjusted annually at a fixed rate or are indexed to the Consumer Price Index (CPI). The terms of the business customer contracts provide for the pass through of increases or decreases in electricity costs, the largest component of the business direct expenses.

The financial results discussed below reflect 100% of District Energy s performance during the periods presented below.

Key Factors Affecting Operating Results:

an increase in consumption revenue, net of electricity costs, driven by warmer average temperatures;
an increase in capacity revenue from new customers and annual inflation-linked increases in contract capacity rates;
and
a decrease in other direct expenses due to the timing of system maintenance work.

TABLE OF CONTENTS**Energy-Related Business: *District Energy* (continued)**

	Quarter Ended June 30,				Six Months Ended June 30,			
	2012	2011	Change Favorable/(Unfavorable)		2012	2011	Change Favorable/(Unfavorable)	
	\$	\$	\$	%	\$	\$	\$	%
	(\$ In Thousands) (Unaudited)							
Cooling capacity revenue	5,567	5,428	139	2.6	11,062	10,759	303	2.8
Cooling consumption revenue	6,890	5,924	966	16.3	10,363	8,354	2,009	24.0
Other revenue	682	903	(221)	(24.5)	1,321	1,593	(272)	(17.1)
Finance lease revenue	1,150	1,261	(111)	(8.8)	2,329	2,548	(219)	(8.6)
Total revenue	14,289	13,516	773	5.7	25,075	23,254	1,821	7.8
Direct expenses electricity	4,148	3,675	(473)	(12.9)	6,686	5,621	(1,065)	(18.9)
Direct expenses other ⁽¹⁾	5,072	5,231	159	3.0	9,629	10,190	561	5.5
Direct expenses total	9,220	8,906	(314)	(3.5)	16,315	15,811	(504)	(3.2)
Gross profit	5,069	4,610	459	10.0	8,760	7,443	1,317	17.7
Selling, general and administrative expenses	961	762	(199)	(26.1)	1,852	1,685	(167)	(9.9)
Amortization of intangibles	341	341			682	678	(4)	(0.6)
Operating income	3,767	3,507	260	7.4	6,226	5,080	1,146	22.6
Interest expense, net ⁽²⁾	(2,127)	(4,925)	2,798	56.8	(4,456)	(7,184)	2,728	38.0
Other income	75	55	20	36.4	132	111	21	18.9
(Provision) benefit for income taxes	(621)	650	(1,271)	(195.5)	(611)	997	(1,608)	(161.3)
Noncontrolling interest	(208)	(213)	5	2.3	(419)	(426)	7	1.6
Net income (loss)	886	(926)	1,812	195.7	872	(1,422)	2,294	161.3
Reconciliation of net income (loss) to EBITDA excluding non-cash items:								
Net income (loss)	886	(926)			872	(1,422)		
Interest expense, net ⁽²⁾	2,127	4,925			4,456	7,184		
Provision (benefit) for income taxes	621	(650)			611	(997)		
Depreciation ⁽¹⁾	1,677	1,658			3,351	3,305		
Amortization of intangibles	341	341			682	678		
Other non-cash expenses	240	300			269	338		
EBITDA excluding non-cash items	5,892	5,648	244	4.3	10,241	9,086	1,155	12.7
EBITDA excluding non-cash items	5,892	5,648			10,241	9,086		
Interest expense, net ⁽²⁾	(2,127)	(4,925)			(4,456)	(7,184)		
Non-cash derivative (gains) losses recorded in interest expense ⁽²⁾	(566)	2,304			(869)	1,943		
Amortization of debt financing costs ⁽²⁾	175	170			345	340		

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

Equipment lease receivable, net	872	753			1,710	1,493		
Provision/benefit for income taxes, net of changes in deferred taxes	(320)	230			(273)	185		
Changes in working capital	(47)	(1,142)			(1,872)	181		
Cash provided by operating activities	3,879	3,038			4,826	6,044		
Changes in working capital	47	1,142			1,872	(181)		
Maintenance capital expenditures	(77)	(59)			(164)	(125)		
Free cash flow	3,849	4,121	(272)	(6.6)	6,534	5,738	796	13.9

(1) Includes depreciation expense of \$1.7 million and \$3.4 million for the quarter and six months ended June 30, 2012, respectively, and \$1.7 million and \$3.3 million for the quarter and six months ended June 30, 2011, respectively.

(2) Interest expense, net, includes non-cash gains (losses) on derivative instruments and non-cash amortization of deferred financing fees.

17

TABLE OF CONTENTS

Energy-Related Business: *District Energy* (continued)

Gross Profit

Gross profit increased primarily due to warmer average temperatures during the quarter and six months ended June 30, 2012 compared with quarter and six months ended June 30, 2011 resulting in higher consumption revenue, net of electricity costs. Additionally, cooling capacity revenue increased from new customers and annual inflation-related increases in contract capacity rates in accordance with customer contract terms. Other direct expenses decreased due to the timing of system maintenance work.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the quarter and six months ended June 30, 2012 compared with quarter and six months ended June 30, 2011 primarily due to higher legal fees.

Interest Expense, Net

Interest expense, net, includes non-cash gains on derivative instruments of \$566,000 and \$869,000 for the quarter and six months ended June 30, 2012, respectively. For the quarter and six months ended June 30, 2011, interest expense, net, includes non-cash losses on derivative instruments of \$2.3 million and \$1.9 million, respectively. Excluding the non-cash gains and losses on derivative instruments, interest expense was higher for the six months ended June 30, 2012.

Cash interest paid was \$2.6 million and \$5.0 million for the quarter and six months ended June 30, 2012, respectively, and \$2.5 million and \$5.0 million for the quarter and six months ended June 30, 2011, respectively.

Income Taxes

District Energy files a separate federal income tax return and a separate Illinois state income tax return. As of December 31, 2011, the business had approximately \$16.4 million in federal NOL carryforwards available to offset positive taxable income and \$23.1 million in Illinois state NOL carryforwards, for which utilization is deferred until 2015. For 2012, District Energy expects to pay a federal Alternative Minimum Tax of approximately \$150,000 and state income taxes of approximately \$787,000. For the six months ended June 30, 2012, a federal and state income tax expense of \$273,000 was recorded and is reflected in the Provision/benefit for income taxes, net of changes in deferred taxes in the above table. The tax expense for the six months ended June 30, 2012 includes a benefit recorded in the three months ended March 31, 2012 that is expected to reverse and will be offset by tax expense in subsequent quarters during 2012. The business does not expect to pay federal income taxes in 2012 or 2013 due to the utilization of NOL carryforwards.

Aviation-Related Business

Atlantic Aviation

Key Factors Affecting Operating Results:

higher general aviation (GA) volume of fuel sold and higher weighted average GA fuel margins, partially offset by reduced de-icing revenue; and

lower cash interest expense driven by reduced debt levels.

18

TABLE OF CONTENTS**Aviation-Related Business: *Atlantic Aviation* (continued)**

	Quarter Ended June 30,				Six Months Ended June 30,			
	2012	2011	Change Favorable/(Unfavorable)		2012	2011	Change Favorable/(Unfavorable)	
	\$	\$	\$	%	\$	\$	\$	%
(\$ In Thousands) (Unaudited)								
Revenue								
Fuel revenue	139,381	134,647	4,734	3.5	280,706	260,360	20,346	7.8
Non-fuel revenue	38,291	35,668	2,623	7.4	81,093	78,464	2,629	3.4
Total revenue	177,672	170,315	7,357	4.3	361,799	338,824	22,975	6.8
Cost of revenue								
Cost of revenue fuel	98,567	95,678	(2,889)	(3.0)	198,875	181,732	(17,143)	(9.4)
Cost of revenue non-fuel	4,563	3,785	(778)	(20.6)	10,130	9,033	(1,097)	(12.1)
Total cost of revenue	103,130	99,463	(3,667)	(3.7)	209,005	190,765	(18,240)	(9.6)
Fuel gross profit	40,814	38,969	1,845	4.7	81,831	78,628	3,203	4.1
Non-fuel gross profit	33,728	31,883	1,845	5.8	70,963	69,431	1,532	2.2
Gross profit	74,542	70,852	3,690	5.2	152,794	148,059	4,735	3.2
Selling, general and administrative expenses	42,903	41,624	(1,279)	(3.1)	86,847	86,675	(172)	(0.2)
Depreciation and amortization	13,860	22,524	8,664	38.5	27,675	36,343	8,668	23.9
Loss on disposal of assets	327	1,225	898	73.3	327	1,225	898	73.3
Operating income	17,452	5,479	11,973	NM	37,945	23,816	14,129	59.3
Interest expense, net ⁽¹⁾	(7,282)	(11,361)	4,079	35.9	(16,067)	(21,554)	5,487	25.5
Other income (expense)	64	50	14	28.0	48	(177)	225	127.1
(Provision) benefit for income taxes	(4,574)	2,335	(6,909)	NM	(9,284)	(840)	(8,444)	NM
Net income (loss) ⁽²⁾	5,660	(3,497)	9,157	NM	12,642	1,245	11,397	NM
Reconciliation of net income (loss) to EBITDA excluding non-cash items:								
Net income (loss) ⁽²⁾	5,660	(3,497)			12,642	1,245		
Interest expense, net ⁽¹⁾	7,282	11,361			16,067	21,554		
Provision (benefit) for income taxes	4,574	(2,335)			9,284	840		
Depreciation and amortization	13,860	22,524			27,675	36,343		
Loss on disposal of assets	47	1,153			47	1,153		
Other non-cash (income) expenses	(88)	(43)			(229)	103		
EBITDA excluding non-cash items	31,335	29,163	2,172	7.4	65,486	61,238	4,248	6.9
EBITDA excluding non-cash items	31,335	29,163			65,486	61,238		
Interest expense, net ⁽¹⁾	(7,282)	(11,361)			(16,067)	(21,554)		
Interest rate swap breakage fees ⁽¹⁾	(252)	(627)			(500)	(1,732)		
Non-cash derivative gains recorded in interest expense ⁽¹⁾	(5,834)	(2,305)			(10,448)	(6,073)		
	671	740			1,359	1,481		

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

Amortization of debt financing costs ⁽¹⁾									
Provision/benefit for income taxes, net of changes in deferred taxes	(768)	(121)			(975)	(616)			
Changes in working capital	305	(3,085)			645	(2,862)			
Cash provided by operating activities	18,175	12,404			39,500	29,882			
Changes in working capital	(305)	3,085			(645)	2,862			
Maintenance capital expenditures	(3,236)	(2,193)			(5,112)	(3,029)			
Free cash flow	14,634	13,296	1,338	10.1	33,743	29,715	4,028		13.6

NM Not meaningful

(1) Interest expense, net, includes non-cash gains on derivative instruments, non-cash amortization of deferred financing fees and interest rate swap breakage fees.

(2) Corporate allocation expense, intercompany fees and the tax effect have been excluded from the above table as they are eliminated on consolidation at the MIC Inc. level.

19

TABLE OF CONTENTS

Aviation-Related Business: *Atlantic Aviation* (continued)

Revenue and Gross Profit

The majority of the revenue and gross profit by Atlantic Aviation is generated through fueling GA aircraft at 64 airports in the U.S. Revenue is categorized according to who owns the fuel used to service these aircraft. If our business owns the fuel, it records the cost to purchase that fuel as cost of revenue-fuel. The business' corresponding fuel revenue is its cost to purchase that fuel plus a margin. The business generally pursues a strategy of maintaining, and where appropriate increasing, dollar-based margins, thereby passing any increase in fuel prices through to the customer.

Atlantic Aviation also has into-plane arrangements whereby it fuels aircraft with fuel owned by another party. It collects a fee for this service that is recorded as non-fuel revenue. Non-fuel revenue also includes various services such as hangar rentals, de-icing, landing fees, tie-down fees and miscellaneous services.

The business' fuel-related revenue and gross profit are driven by the volume of fuel sold and dollar-based margin/fee per gallon. This applies to both fuel and into-plane revenue. Customers will sometimes move from one category to the other.

Management believes discussing total fuel-related revenue and gross profit, including both fuel sales and into-plane arrangements (as recorded in the non-fuel revenue line) and related key metrics on an aggregate basis, provides a more meaningful analysis of Atlantic Aviation's gross profit than a discussion of each item. For the quarter and six months ended June 30, 2012, the business derived 66.2% and 65.2%, respectively, of total gross profit from fuel and fuel-related services compared with 66.8% and 64.7% for the quarter and six months ended June 30, 2011, respectively.

The increase in gross profit for both the quarter and six months ended June 30, 2012 resulted from an increase in volume of fuel sold and higher margins. GA fuel gross profit was 5.4% and 4.9% higher for the quarter and six months ended June 30, 2012, respectively, as compared with the quarter and six months ended June 30, 2011. De-icing gross profit was 67.3% lower for the six months ended June 30, 2012, due to the unseasonably mild winter in the northeastern and central U.S. in 2012 and the sale of FBOs during 2011.

On a same store basis, total gross profit increased by 3.9% and 3.0% for the quarter and six months ended June 30, 2012, respectively. On a same store basis, the volume of GA fuel sold increased by 1.5% and 1.3% and GA average fuel margin increased by 2.8% and 3.1% for the quarter and six months ended June 30, 2012, respectively. The increase in GA fuel GP was partially offset by decline in de-icing revenue and non-GA gross profit.

Atlantic Aviation continues to seek lease extensions prior to maturity and to increase the portfolio's weighted average lease life, which was 17.6 years at June 30, 2012. Atlantic Aviation believes that some competitors have priced bids for airport concessions on uneconomic terms. If this practice continues, it may adversely impact Atlantic Aviation's ability to win new concessions or extend existing concessions in the near term. In the longer term, Atlantic Aviation believes this practice is unsustainable as the operators will be unable to support their bids and customers will not accept the increased pricing that such concession fees will require. Atlantic Aviation continues to monitor the potential impact of these practices.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the quarter ended June 30, 2012, were higher compared with the quarter ended June 30, 2011 due primarily to higher employee expenses. Selling, general and administrative expenses for the six months ended June 30, 2012 were flat compared with the six months ended June 30, 2011 primarily due to lower lease costs associated with the disposal of FBOs in 2011 and lower insurance premiums which were offset by higher employee expenses in the second quarter of 2012. The reduction in insurance premiums was primarily a result of Atlantic Aviation's safety program, safety record and insurance procurement program.

20

TABLE OF CONTENTS

Aviation-Related Business: *Atlantic Aviation* (continued)

Depreciation and Amortization

Depreciation and amortization for the quarter and six months ended June 30, 2012 were lower compared with the quarter and six months ended June 30, 2011 due to a non-cash impairment charge of \$8.7 million recorded during the quarter ended June 30, 2011. The impairment charge resulted from adverse conditions specific to three small locations. There were no impairment charges during the six months ended June 30, 2012.

Interest Expense, Net

Interest expense, net, includes non-cash gains on derivative instruments of \$6.1 million and \$10.9 million for the quarter and six months ended June 30, 2012, respectively. For the quarter and six months ended June 30, 2011, interest expense, net, includes non-cash gains on derivative instruments of \$2.9 million and \$7.8 million, respectively. Excluding the non-cash gains on derivative instruments, interest expense for the quarter and six months ended June 30, 2012 was lower due to lower principal balances on the term loan debt.

In connection with the debt prepayments, Atlantic Aviation incurred interest rate swap breakage fees. Cash paid for interest rate swap breakage fees was \$252,000 and \$500,000 for the quarter and six months ended June 30, 2012, respectively, and \$627,000 and \$1.7 million for the quarter and six months ended June 30, 2011, respectively. The interest rate swap breakage fees are excluded from interest expense, net, in the current quarter as they have been included in interest expense, net, in prior periods as part of the mark-to-market derivative adjustments at Atlantic Aviation. Excluding cash paid for interest rate swap breakage fees, cash interest paid was \$12.5 million and \$25.1 million for the quarter and six months ended June 30, 2012, respectively, and \$13.0 million and \$26.2 million for the quarter and six months ended June 30, 2011, respectively.

Income Taxes

Income generated by Atlantic Aviation is included in our consolidated federal income tax return. The business files state income tax returns in more than 30 states in which it operates. The tax expense in the table above includes both state taxes and the portion of the consolidated federal tax liability attributable to the business.

The business had \$24.4 million of state NOL carryforwards at December 31, 2011. State NOL carryforwards are specific to the state in which the NOL was generated and various states impose limitations on the utilization of NOL carryforwards. Therefore, the business may incur state income tax liabilities in the future, even if its consolidated state taxable income is less than \$24.4 million.

Atlantic Aviation, as a whole, expects to generate a current year federal taxable income that will be offset by its federal NOLs. At December 31, 2011, Atlantic Aviation had \$43.9 million in federal NOLs. For 2012, the business expects to pay a federal Alternative Minimum Tax of approximately \$495,000 to MIC under the federal tax sharing agreement and pay state income taxes of approximately \$1.3 million. Of those amounts, \$975,000 was recorded in the six months ended June 30, 2012 and is reflected in the Provision for income taxes, net of changes in deferred taxes in the above table.

Liquidity and Capital Resources

Consolidated

Our primary cash requirements include normal operating expenses, debt service, debt principal payments, payments of dividends and capital expenditures. Our primary source of cash is operating activities, although we may borrow against existing credit facilities for growth capital expenditures, issue additional LLC interests or sell assets to generate cash.

21

TABLE OF CONTENTS**Liquidity and Capital Resources: Consolidated (continued)**

We believe that our operating businesses will have sufficient liquidity and capital resources to meet future requirements, including servicing long-term debt obligations and making distribution payments to MIC. We base our assessment of the sufficiency of our liquidity and capital resources on the assumptions that:

our businesses and investments overall generate, and are expected to continue to generate, significant operating cash flow;
the ongoing maintenance capital expenditures associated with our businesses are readily funded from their respective operating cash flow or available financing;
all significant short-term growth capital expenditures will be funded with cash on hand or from committed undrawn credit facilities; and
we will be able to refinance, extend and/or repay the principal amount of maturing long-term debt on terms that can be supported by our businesses.

We have capitalized our businesses, in part, using project-finance style debt. Project-finance style debt is limited-recourse, floating rate, non-amortizing debt with a medium term maturity of between five and seven years. We are prepaying the principal balance in the following three circumstances:

Atlantic Aviation apply all excess cash flow to prepay additional debt principal whenever the leverage ratio, as defined in the amended debt agreement, is equal to or greater than 6.0x trailing twelve months EBITDA, as adjusted, and apply 50% of excess cash flow to prepay debt whenever the leverage ratio is equal to or greater than 5.5x trailing twelve months EBITDA and below 6.0x;

Atlantic Aviation apply all excess cash flow generated in the fourth quarter of 2012 and thereafter to prepay the principal balance on its term loan facility regardless of leverage ratio as calculated under the facility; and

District Energy apply all excess cash flow generated in the third quarter of 2012 and thereafter to prepay the principal balance on its term loan facility.

At June 30, 2012, the average remaining maturity of the drawn balances of the primary debt facilities across all of our businesses, including our proportional interest in the revolving credit facility of IMTT, was approximately 2.1 years. In light of the improvement in the functioning of the credit markets generally, and the leverage and interest coverage ratios, we expect each of our businesses to successfully refinance their long-term debt on economically reasonable terms at or before maturity.

We have no debt at the holding company.

The section below discusses our sources and uses of cash on a consolidated basis and for each of our businesses and investments. All intercompany activities such as corporate allocations, capital contributions to our businesses and distributions from our businesses have been excluded from the tables as these transactions are eliminated in consolidation.

Analysis of Consolidated Historical Cash Flows from Operations

(\$ In Thousands)	Six Months Ended June		Change	
	2012	2011	Favorable/(Unfavorable)	
	\$	\$	\$	%
Cash provided by operating activities	124,831	41,287	83,544	NM

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

Cash provided by investing activities	24,836	1,312	23,524	NM
Cash used in financing activities	(26,879)	(30,808)	3,929	12.8

NM Not meaningful

22

TABLE OF CONTENTS

Liquidity and Capital Resources: *Consolidated* (continued)

Operating Activities

Consolidated cash provided by operating activities comprises primarily the cash from operations of the businesses we own, as described in each of the business discussions below. The cash flow from our consolidated business operations is partially offset by expenses paid by the holding company, including base management fees paid in cash, professional fees and cost associated with being a public company.

The increase in consolidated cash provided by operating activities for the six months ended June 30, 2012 compared with the six months ended June 30, 2011 was primarily due to:

cash distributions received in June of 2012 from IMTT classified as cash from operating activities compared with no distributions received during 2011;

improved operating performance, timing of fuel purchases and lower cash interest paid on the reduced term loan balance at Atlantic Aviation; and

improved operating performance in the non-utility business at The Gas Company; partially offset by increase in litigation costs primarily from the IMTT arbitration incurred at the holding company level; and unfavorable working capital movements due to timing of payments and collections on receivables, offset by improved operating performance at District Energy.

Distributions from IMTT are reflected in our consolidated cash provided by operating activities only up to our cumulative 50% share of IMTT's earnings recorded since our investment in IMTT. Cumulative distributions in excess of this are reflected in our consolidated cash from investing activities as a return of investment in unconsolidated business. For the six months ended June 30, 2012, \$70.9 million in distributions were included in cash from operating activities compared with no distributions received from IMTT during the six months ended June 30, 2011.

Investing Activities

The increase in consolidated cash provided by investing activities for the six months ended June 30, 2012 compared with the six months ended June 30, 2011 was due primarily to distributions received in June of 2012 from IMTT. This increase was partially offset by cash proceeds received during the second quarter of 2011 for the sale of FBOs at Atlantic Aviation.

Financing Activities

The decrease in consolidated cash used in financing activities for the six months ended June 30, 2012 compared with the six months ended June 30, 2011 was primarily due to:

proceeds from the drawdown of long-term debt at The Gas Company during the six months ended June 30, 2012; lower debt repayments at Atlantic Aviation; and

a decrease in distributions paid to noncontrolling interests at District Energy; partially offset by increased dividends paid to our shareholders; and

absence of proceeds from the drawdown of long-term debt and borrowings on line of credit facilities at Atlantic Aviation during the six months ended June 30, 2011.

See below for further description of the cash flows related to our businesses.

TABLE OF CONTENTS**Energy-Related Businesses****IMTT**

The following analysis represents 100% of the cash flows of IMTT, rather than just the composition of cash flows that are included in our consolidated cash flows. We believe this is the most appropriate and meaningful approach to discussion of the historical cash flow trends of IMTT. We account for our 50% ownership of this business using the equity method.

(\$ In Thousands)	Six Months Ended June		Change	
	30, 2012	2011	Favorable/(Unfavorable)	
	\$	\$	\$	%
Cash provided by operating activities	102,909	63,946	38,963	60.9
Cash used in investing activities	(60,018)	(11,849)	(48,169)	NM
Cash used in financing activities	(84,339)	(12,317)	(72,022)	NM

NM Not meaningful

Operating Activities

Cash provided by operating activities at IMTT is generated primarily from storage rentals and ancillary services that are billed monthly and paid on various terms. Cash used in operating activities is mainly for payroll and benefits costs, maintenance and repair of fixed assets, utilities and professional services, interest payments and payments to tax jurisdictions. Cash provided by operating activities increased primarily as a result of improved operating results and lower working capital requirements as a result of the timing of payments of various accrued expenses, including incentive payments associated with the BP Oil spill in 2010.

Investing Activities

Cash used in investing activities primarily relates to capital expenditures and an investment in a tax-exempt bond escrow.

Total capital expenditures increased from \$49.9 million in the six months ended June 30, 2011 to \$51.7 million in the six months ended June 30, 2012. The increase in cash used in investing activities was primarily due to the release of a tax-exempt bond escrow during the six months ended June 30, 2011 and higher capital expenditures during the six months ended June 30, 2012.

The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (the Act) provides for 100% tax depreciation for certain fixed assets placed in service after September 8, 2010 and before January 1, 2012, and 50% tax depreciation for certain fixed assets placed in service during 2012 for federal income tax purposes. Generally, states do not allow this tax depreciation deduction in determining state taxable income. Importantly, Louisiana, in which IMTT has significant operations, does permit the use of federal tax depreciation in calculating state taxable income. IMTT took and will take into consideration the benefits of these accelerated depreciation provisions of the Act when evaluating capital expenditure plans for 2012.

Maintenance and Environmental Capital Expenditure

IMTT incurs maintenance and environmental capital expenditures to prolong the useful lives of existing revenue-producing assets. Maintenance and environmental capital expenditures include the refurbishment of storage tanks, piping, dock facilities and environmental capital expenditures, principally in relation to improvements in containment measures and remediation.

IMTT incurred \$15.5 million and \$21.5 million of maintenance and environmental expenditures during the six months ended June 30, 2012 and 2011, respectively, principally in relation to refurbishments of tanks, docks and other infrastructure.

TABLE OF CONTENTS**Energy-Related Business: IMTT (continued)**

For the full-year 2012, MIC believes IMTT will spend approximately \$50.0 million on maintenance capital expenditures. IMTT anticipates that maintenance capital expenditures will remain at elevated levels through 2014 due to required tank cleaning and inspections.

Growth Capital Expenditure

IMTT incurred growth capital expenditures of \$36.2 million and \$28.4 million for the six months ended June 30, 2012 and 2011, respectively.

Since January 1, 2011, IMTT has brought revenue generating growth projects into service costing \$42.3 million. These projects are expected to generate \$6.9 million of annualized gross profit and EBITDA as outlined in the table below.

	Anticipated Incremental Gross Profit/EBITDA	Anticipated Cumulative Gross Profit/EBITDA
2011	\$ 2.4 million	\$ 2.4 million
2012	4.3 million	6.7 million
2013	0.2 million	6.9 million

At June 30, 2012, IMTT had growth projects with an estimated total cost of \$230.4 million underway, including \$47.8 million of support infrastructure projects. The projects are expected to generate an additional \$43.0 million of annualized gross profit and EBITDA as outlined in the table below. To date, \$93.4 million has been spent on these projects.

	Anticipated Incremental Gross Profit/EBITDA	Anticipated Cumulative Gross Profit/EBITDA
2011	\$ 0.6 million	\$ 0.6 million
2012	6.1 million	6.7 million
2013	26.5 million	33.2 million
2014	9.8 million	43.0 million

Support infrastructure is growth capital expenditure that does not directly generate incremental gross profit or EBITDA as it has no contractual revenue stream associated with it. However, it does facilitate the ongoing growth of IMTT. Examples of such projects include new docks and berths, new truck racks and other inter-modal transport facilities and new or improved pumps and piping.

Financing Activities

Cash used in financing activities increased primarily due to higher distributions to shareholders, partially offset by higher borrowings on the revolving credit facility during the six months ended June 30, 2012.

At June 30, 2012, the outstanding balance on IMTT's total debt facilities was \$777.0 million. This consisted of \$336.3 million in letter of credit backed tax exempt bonds, \$185.8 million in bank owned tax exempt bonds, \$227.5 million in

revolving credit facilities and \$27.4 million in shareholder loans. The weighted average interest rate of the outstanding debt facilities, including any interest rate swaps and fees associated with outstanding letters of credit was 4.35%. Cash interest paid was \$16.7 million and \$16.8 million for the six months ended June 30, 2012 and 2011, respectively.

At June 30, 2012, the undrawn balance on the \$1.025 billion revolving credit facility was \$453.7 million.

The financial covenant requirements under IMTT's revolving credit facility, and the calculation of these measures at June 30, 2012, were as follows:

Leverage Ratio < 4.75x (default threshold). The ratio at June 30, 2012 was 3.11x.

Interest Coverage Ratio > 3.00x (default threshold). The ratio at June 30, 2012 was 6.37x.

For a description of the material terms of IMTT's credit facilities, see "Liquidity and Capital Resources" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. IMTT has not had any material changes to these credit facilities since February 22, 2012, our 10-K filing date.

TABLE OF CONTENTS**Energy-Related Business *The Gas Company***

(\$ In Thousands)	Six Months Ended June		Change	
	30, 2012	2011	Favorable/(Unfavorable)	
	\$	\$	\$	%
Cash provided by operating activities	16,085	8,814	7,271	82.5
Cash used in investing activities	(7,495)	(7,806)	311	4.0
Cash provided by financing activities	10,000		10,000	NM

NM Not meaningful

Operating Activities

The principal source of cash provided by operating activities is customer receipts. The business incurs payments for fuel, materials, pipeline repairs, vendor services and supplies, payroll and benefit costs, revenue-based taxes and payment of administrative costs. Customers are generally billed monthly and make payments on account. Vendors and suppliers generally bill the business when services are rendered or when products are shipped.

The increase in cash from operations for the six months ended June 30, 2012 compared with the six months ended June 30, 2011 was driven primarily by higher non-utility contribution margin as the result of margin management and an increase in volume of gas sold. In addition, the increase in cash from operating activities was driven by lower working capital requirements due to lower fuel costs.

Investing Activities

Cash used in investing activities is composed primarily of capital expenditures. Capital expenditures for the non-utility business are funded by cash from operating activities and capital expenditures for the utility business are funded by drawing on credit facilities as well as cash from operating activities.

The following table sets forth information about capital expenditures at The Gas Company (\$ in thousands):

	Maintenance	Growth
Six months ended June 30, 2012, accrual basis	\$ 3,185	\$ 3,166
Change in accrued capital expenditure balance from December 31, 2011	797	407
Six months ended June 30, 2012, cash basis	\$ 3,982	\$ 3,573
Six months ended June 30, 2011, accrual basis	\$ 3,920	\$ 2,498
Change in accrued capital expenditure balance from December 31, 2010	1,347	47
Six months ended June 30, 2011, cash basis	\$ 5,267	\$ 2,545
2012 full year projected	\$ 6.7 million	\$ 8.6 million

Maintenance Capital Expenditure

Maintenance capital expenditures include replacement of pipeline sections, improvements to the business transmission system and SNG plant, improvements to buildings and other property and the purchase of equipment. Maintenance capital expenditures for the six months ended June 30, 2012 were lower compared with the six months ended June 30,

2011 as a result of required pipeline maintenance and inspection projects related to the integrity management program spending in 2011.

26

TABLE OF CONTENTS

Energy-Related Business: *The Gas Company* (continued)

Growth Capital Expenditure

Growth capital expenditures include the purchase of meters, regulators and propane tanks for new customers, the cost of installing pipelines for new residential and commercial construction, new product initiatives, the renewable natural gas pilot plant and the expansion of gas storage facilities. Growth capital expenditures for the six months ended June 30, 2012 were higher compared with the six months ended June 30, 2011 driven mainly by new customer installations, meter purchases and equipment purchases to import LNG in small scale.

The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (the Act) provides for 100% tax depreciation for certain fixed assets placed in service after September 8, 2010 and before January 1, 2012, and 50% tax depreciation for certain fixed assets placed in service during 2012 for federal income tax purposes. Generally, states do not allow this federal tax depreciation deduction in determining state taxable income. The Gas Company took and will take into consideration the benefits of these accelerated depreciation provisions of the Act when evaluating its capital expenditure plans for the remainder of 2012.

Financing Activities

The main drivers of cash from financing activities are debt financings for capital expenditures and the repayment of outstanding credit facilities. At June 30, 2012, the outstanding balance on the business debt facilities consisted of \$160.0 million in term loan facility borrowings and \$20.0 million in capital expenditure facility borrowings. The change in cash provided by financing activities was due to the drawdown of the capital expenditure facility of \$10.0 million during the six months ended June 30, 2012.

The Gas Company has interest rate swaps in place that effectively fix the floating rate increase on two \$80.0 million term loan facilities. The weighted average interest rate of the outstanding debt facilities, including the interest rate swaps at June 30, 2012, was 4.92%. The business paid \$4.5 million and \$4.3 million in cash interest related to its debt facilities for the six months ended June 30, 2012 and 2011, respectively.

The Gas Company also has an uncommitted unsecured short-term borrowing facility of \$10.0 million that is available for working capital needs. This credit line bears interest at the lending bank's quoted rate or prime rate. No amount was outstanding for this facility at June 30, 2012.

Additionally, the HPUC requires the consolidated debt to total capital for HGC Holdings be less than 65% and that \$20.0 million be readily available in cash resources at The Gas Company, HGC Holdings or MIC. At June 30, 2012, the debt to total capital ratio was 61.0% and \$20.0 million in cash resources was readily available.

MIC is finalizing the refinancing of The Gas Company's long term debt facilities. The existing facilities will mature in June of 2013. The Gas Company has received commitments totaling \$140.0 million from a syndicate of banks for a five-year, \$80.0 million term loan bearing interest at a variable rate of LIBOR + 2.25%, and a five-year, \$60.0 million revolver bearing interest at a variable rate of LIBOR + 1.50%. The Gas Company filed for approval of the \$60.0 million revolver with the HPUC on April 5, 2012 and expects to receive the approval in August of 2012. The business is reviewing various options for hedging the variable rate component of the debt. Additionally, The Gas Company has received commitments totaling \$100.0 million from purchasers of 10-year private placement notes. The notes will bear interest at 4.22% payable semi-annually. The refinancings are expected to close in August of 2012.

Notwithstanding that The Gas Company has received commitments to refinance its entire existing \$180.0 million credit facility and we expect this refinancing to close in August of 2012, this debt is required to be classified in current liabilities in the consolidated condensed balance sheet as of June 30, 2012 in accordance with Generally Accepted Accounting Principles.

TABLE OF CONTENTS**Energy-Related Business: *The Gas Company* (continued)**

The financial covenants triggering distribution lock-up or default under the business credit facility are as follows:

12 mo. look-forward and 12 mo. look-backward adjusted EBITDA/interest < 3.5x (distribution lock-up) and < 2.5x (default). The look-forward and look-backward ratios at June 30, 2012 were 10.07x and 10.08x, respectively.

For a description of the material terms of The Gas Company's credit facilities, see Liquidity and Capital Resources in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. We have not had any material changes to these credit facilities since February 22, 2012, our 10-K filing date.

District Energy

The following analysis represents 100% of the cash flows of District Energy.

	Six Months Ended June		Change	
	30, 2012	2011	Favorable/(Unfavorable)	
(\$ In Thousands)	\$	\$	\$	%
Cash provided by operating activities	4,826	6,044	(1,218)	(20.2)
Cash used in investing activities	(447)	(1,001)	554	55.3
Cash used in financing activities	(2,199)	(3,951)	1,752	44.3

Operating Activities

Cash provided by operating activities is driven primarily by customer receipts for services provided and leased equipment payments received (including non-revenue lease principal). Cash used in operating activities is driven by the timing of payments for electricity, vendor services or supplies and the payment of payroll and benefit costs. Cash from operating activities decreased primarily due to unfavorable working capital movements partially offset by improved results. Working capital was unfavorable due to the expiration of a 2010 requirement that the business prepay a portion of its electricity supply, which created a favorable working capital change in the six months ended June 30, 2011, and increased receivables from higher sales in the six months ended June 30, 2012.

Non-revenue lease principal is the principal portion of lease payments received from equipment leases with various customers. This cash inflow is not included in EBITDA excluding non-cash items, as there is no impact on net income, but as a cash inflow to calculate cash from operating activities. Non-revenue lease principal was \$1.7 million and \$1.5 million for the six months ended June 30, 2012 and 2011, respectively.

Investing Activities

Cash used in investing activities mainly comprises capital expenditures, which are generally funded by drawing on available facilities and cash from operations. Cash used in investing activities in the six months ended June 30, 2012 and 2011 primarily funded system maintenance and growth capital expenditures for new customer connections.

The following table sets forth information about District Energy's capital expenditures (\$ in thousands):

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

	Maintenance	Growth
Six months ended June 30, 2012, accrual basis	\$ 164	\$ 433
Change in accrued capital expenditure balance from December 31, 2011	(5)	(145)
Six months ended June 30, 2012, cash basis	\$159	\$288
Six months ended June 30, 2011, accrual basis	\$125	\$694
Change in accrued capital expenditure balance from December 31, 2010	353	(171)
Six months ended June 30, 2011, cash basis	\$478	\$523
2012 full year projected	\$1.0 million	\$1.0 million

28

TABLE OF CONTENTS

Energy-Related Business: *District Energy* (continued)

Maintenance Capital Expenditure

The business expects to spend approximately \$1.0 million per year on capital expenditures relating to the replacement of parts, system reliability, customer service improvements and minor system modifications. Maintenance capital expenditures will be funded from available facilities and cash from operating activities. These expenditures were lower during the six months ended June 30, 2012 due to the timing of spend on ordinary course maintenance projects.

Growth Capital Expenditure

Prior to this quarter, District Energy had signed contracts with new customers and previously committed to spend approximately \$1.7 million on interconnection of these customers. As of June 30, 2012, \$1.6 million had been spent. The business anticipates it will receive reimbursements from customers for approximately \$1.1 million, of which it had received \$663,000 as of June 30, 2012. Growth capital expenditures were lower during the six months ended June 30, 2012 due to the timing of spend related to connecting new customers.

Financing Activities

At June 30, 2012, the outstanding balance on the business debt facilities consisted of a \$150.0 million term loan facility and a \$20.0 million capital expenditure facility, which was fully drawn at June 30, 2012. The weighted average interest rate of the outstanding debt facilities, including the interest rate swaps and fees associated with outstanding letters of credit at June 30, 2012, was 5.53%. Cash interest paid was \$5.0 million for both the six months ended June 30, 2012 and 2011.

During the quarter ended June 30, 2012, District Energy amended its interest rate basis swap contract that expires in June of 2013. This contract effectively changed the interest rate index on existing swap contracts from the 90-day LIBOR rate to the 30-day LIBOR rate plus a margin of 9 basis points, lowering the weighted average interest rate to 5.46% until June of 2013. This transaction is expected to result in approximately \$65,000 lower interest expense for the year ended December 31, 2012 and approximately \$65,000 lower interest expense for the six months ended June 30, 2013.

The decrease in cash used in financing activities was primarily due to decreased distributions paid to the noncontrolling interest shareholders.

In accordance with the terms of its loan agreement, District Energy will be applying 100% of its excess cash flow generated during the third quarter of 2012 and thereafter to repay its debt facilities through the loan maturity in September 2014.

On April 26, 2012, District Energy's revolving loan facility of \$18.5 million, which is currently undrawn and is being utilized to back \$7.0 million letters of credit as required by the City of Chicago, was amended and extended so that the revolver will be co-terminus with the term loan and capital expenditure facility. The revolver amount was lowered to \$8.4 million with a higher margin.

The financial covenants triggering distribution lock-up or default under the business credit facility are as follows:

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

Backward Interest Coverage Ratio $< 1.5x$ (distribution lock-up) and $< 1.2x$ (default). The ratio at June 30, 2012 was 2.22x.

Leverage Ratio (funds from operations less interest expense to net debt) for the previous 12 months less than 6.0% (distribution lock-up) and 4.0% (default). The ratio at June 30, 2012 was 8.37%.

For a description of the material terms of District Energy's credit facilities, see "Liquidity and Capital Resources" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. We have not had any material changes to these credit facilities since February 22, 2012, our 10-K filing date.

TABLE OF CONTENTS**Aviation-Related Business****Atlantic Aviation**

(\$ In Thousands)	Six Months Ended June 30,		Change Favorable/(Unfavorable)	
	2012	2011	\$	%
Cash provided by operating activities	39,500	29,882	9,618	32.2
Cash (used in) provided by investing activities	(6,870)	10,118	(16,988)	(167.9)
Cash used in financing activities	(16,119)	(17,688)	1,569	8.9

Operating Activities

Cash provided by operating activities at Atlantic Aviation is generated from sales transactions primarily paid by credit cards. Some customers have extended payment terms and are billed accordingly. Cash is used in operating activities mainly for payments to vendors of fuel and professional services, as well as payroll costs and payments to tax jurisdictions. Cash provided by operating activities increased during the six months ended June 30, 2012 compared with the six months ended June 30, 2011 primarily due to:

improved operating results;
timing of payment of fuel purchases; and
lower cash interest paid on reduced debt levels.

Investing Activities

Cash used in investing activities relates primarily to cash used for acquisitions, proceeds from the sale of FBOs and capital expenditures. Cash used in investing activities decreased from the six months ended June 30, 2011 compared with the six months ended June 30, 2012 as a result of cash received from the sale of an FBO in 2011 and higher capital expenditures for the six months ended June 30, 2012.

The following table sets forth information about capital expenditures at Atlantic Aviation (\$ in thousands):

	Maintenance	Growth
Six months ended June 30, 2012, accrual basis	\$ 5,112	\$ 2,238
Change in accrued capital expenditure balance from December 31, 2011	113	(132)
Six months ended June 30, 2012, cash basis	\$5,225	\$ 2,106
Six months ended June 30, 2011, accrual basis	\$3,029	\$ 3,914
Change in accrued capital expenditure balance from December 31, 2010	(116)	(29)
Six months ended June 30, 2011, cash basis	\$2,913	\$ 3,885
2012 full year projected	\$ 11.5 million	\$ 6.0 million

Maintenance Capital Expenditure

Maintenance capital expenditures include repainting, replacing equipment as necessary and any ongoing environmental or required regulatory expenditure, such as installing safety equipment. These expenditures are generally funded from cash flow from operating activities.

Maintenance capital expenditures increased during the six months ended June 30, 2012 as Atlantic Aviation upgraded FBO facilities at a number of locations. The increase primarily reflects a specific project at Los Angeles International Airport that was deferred from 2011, as well as consideration of the benefits afforded by the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, as discussed below. The projected increase from 2011 to 2012 reflects a number of specific projects, which were deferred from 2011.

Growth Capital Expenditure

Growth capital expenditures are incurred primarily where the business expects to receive an appropriate return relative to its cost of capital. Historically these expenditures have included development of hangars, terminal buildings and ramp upgrades. The business has generally funded these projects through its growth capital expenditure facility or capital contributions from MIC.

TABLE OF CONTENTS

Aviation-Related Business: *Atlantic Aviation* (continued)

Growth capital expenditures incurred in the six months ended June 30, 2012 related primarily to the construction of a hangar and fuel farm. Growth capital expenditures incurred in the six months ended June 30, 2011 related primarily to the construction of a new FBO and hangars.

Projected growth capital expenditures for the year ended December 31, 2012 increased from the previous projected amount disclosed in the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 due to the construction of an exclusive use hangar for a new customer who has signed a long-term use and occupancy contract.

The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (the Act) provides for 100% tax depreciation for certain fixed assets placed in service after September 8, 2010 and before January 1, 2012, and 50% tax depreciation for certain fixed assets placed in service during 2012 for federal income tax purposes. Generally, states do not allow this federal tax depreciation deduction in determining state taxable income. The business took and will take into consideration the benefits of these accelerated depreciation provisions of the Act when evaluating its capital expenditure plans for the remainder of 2012.

Financing Activities

At June 30, 2012, the outstanding balance on Atlantic Aviation's debt facilities consisted of \$711.5 million in term loan facility borrowings and \$50.0 million in capital expenditure facility borrowings. The all-in rate on the term loan was 6.79% including interest rate swaps. The interest rate applicable on the capital expenditure facility is the three-month U.S. Libor plus a margin of 1.60%.

In addition to the debt facilities described above, Atlantic Aviation raised a \$3.5 million stand-alone debt facility to partially fund the construction of a new FBO. At June 30, 2012, the outstanding balance on the stand-alone facility was \$3.3 million, bearing fixed interest rate of 4.75%.

The weighted average interest rate of all outstanding debt facilities, including any interest rate swaps, at June 30, 2012, was 6.47%. Cash interest paid was \$25.1 million and \$26.2 million for the six months ended June 30, 2012 and 2011, respectively, excluding interest rate swap breakage fees, related to its debt facilities. Atlantic Aviation's existing interest rate swaps that hedge 100% of the term loan debt will expire in October of 2012. Thereafter, the interest rate on the term loan debt will decrease to an underlying LIBOR + 1.725% when the swap expires. This equates to an approximately \$30.0 million decrease in annual interest expense. Atlantic Aviation is currently reviewing options for future interest rate hedges on the outstanding balance of the term loan debt.

During the quarter ended June 30, 2012, Atlantic Aviation amended its interest rate basis swap contract that expires in October of 2012. This contract effectively changed the interest rate index on existing swap contracts from the 90-day LIBOR rate to the 30-day LIBOR rate plus a margin of 10 basis points, lowering the weighted average interest rate to 6.38% until October of 2012. This transaction, adjusted for the prepayments of outstanding principal on the term loan debt, is expected to reduce interest expense for the year ended December 31, 2012 by approximately \$200,000.

The decrease in cash used in financing activities is primarily due to a larger prepayment of the outstanding principal balance of the term loan debt during the six months ended June 30, 2011 of \$24.5 million compared with \$15.7 million for the six months ended June 30, 2012. This decrease was partially offset by borrowings on its credit facilities during the quarter ended June 30, 2011. Per the terms of its amended credit agreement, if the leverage ratio is below 6.0x, 50% of Atlantic Aviation's excess cash is used to repay the principal on the term loan and 50% is distributed to

MIC. Starting in the fourth quarter of 2012 through the maturity of the facility, 100% of any excess cash will be used to repay the principal on the term loan.

TABLE OF CONTENTS

Aviation-Related Business: *Atlantic Aviation* (continued)

The business anticipates prepaying \$7.5 million of term loan principal and distributing \$7.5 million to MIC on August 10, 2012. As a result of this prepayment, the proforma leverage ratio would decrease to 5.64x based upon the EBITDA generated by the business for the trailing twelve months to June 30, 2012, as calculated under the terms of the facility.

The financial covenant requirements under *Atlantic Aviation*'s credit facility, and the calculation of these measures at June 30, 2012, were as follows:

Debt Service Coverage Ratio > 1.2x (default threshold). The ratio at June 30, 2012 was 2.07x.

Leverage Ratio debt to adjusted EBITDA for the trailing twelve months < 6.75x (default threshold). The ratio at June 30, 2012 was 5.70x.

For a description of the material terms of *Atlantic Aviation*'s credit facilities, see *Liquidity and Capital Resources* in Part II, Item 7 of our Annual Report of Form 10-K for the fiscal year ended December 31, 2011. We have not had any material changes to these credit facilities since February 22, 2012, our 10-K filing date.

Commitments and Contingencies

At June 30, 2012, there were no material changes in our future commitments and contingencies from December 31, 2011, except for the mandatory prepayment we expect to make under the cash sweep terms of *Atlantic Aviation*'s and *District Energy*'s credit facilities as discussed above.

See Note 6, *Long-Term Debt*, to our consolidated condensed financial statements in Part I of this Form 10-Q for further discussion. At June 30, 2012, we did not have any outstanding material purchase obligations. For a discussion of our other future obligations, due by period, under the various contractual obligations, off-balance sheet arrangements and commitments, please see *Liquidity and Capital Resources - Commitments and Contingencies* in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the SEC on February 22, 2012. We have not had any material changes to our commitments except as discussed above.

In addition, at June 30, 2012, we did not have any material reserves for contingencies. We have other contingencies occurring in the normal course of business, including pending legal and administrative proceedings that are not reflected at this time as they are not ascertainable.

Our sources of cash to meet these obligations are as follows:

cash generated from our operations (see *Operating Activities* in *Liquidity and Capital Resources*); refinancing our current credit facilities on or before maturity (see *Financing Activities* in *Liquidity and Capital Resources*); and

cash available from our undrawn credit facilities (see *Financing Activities* in *Liquidity and Capital Resources*).

Critical Accounting Policies and Estimates

For critical accounting policies and estimates, see *Critical Accounting Policies and Estimates* in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. Our critical accounting policies and estimates have not changed materially from the description contained in that Annual Report.

Business Combinations

Our acquisitions of businesses that we control are accounted for under the purchase method of accounting. The amounts assigned to the identifiable assets acquired and liabilities assumed in connection with acquisitions are based on estimated fair values as of the date of the acquisition, with the remainder, if any, recorded as goodwill. The fair values are determined by our management, taking into consideration information supplied by the management of acquired entities and other relevant information. Such information

TABLE OF CONTENTS

includes valuations supplied by independent appraisal experts for significant business combinations. The valuations are generally based upon future cash flow projections for the acquired assets, discounted to present value. The determination of fair values require significant judgment both by management and outside experts engaged to assist in this process.

Goodwill, Intangible Assets and Property, Plant and Equipment

Significant assets acquired in connection with our acquisition of The Gas Company, District Energy and Atlantic Aviation include contract rights, customer relationships, non-compete agreements, trademarks, property and equipment and goodwill.

Trademarks are generally considered to be indefinite life intangibles. Trademarks and goodwill are not amortized in most circumstances. It may be appropriate to amortize some trademarks. However, for unamortized intangible assets, we are required to perform annual impairment reviews and more frequently in certain circumstances.

During 2011, we adopted ASU No. 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, which permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test, as discussed below. If an entity concludes it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it need not perform the two-step impairment test.

If an entity concludes that it is more likely than not that the fair value of reporting unit is less than its carrying amount, it needs to perform the two-step impairment test. This requires management to make judgments in determining what assumptions to use in the calculation. The first step of the process consists of estimating the fair value of each reporting unit based on a discounted cash flow model using revenue and profit forecasts and comparing those estimated fair values with the carrying values, which included the allocated goodwill. If the estimated fair value is less than the carrying value, a second step is performed to compute the amount of the impairment by determining an implied fair value of goodwill. The determination of a reporting unit's implied fair value of goodwill requires the allocation of the estimated fair value of the reporting unit to the assets and liabilities of the reporting unit. Any unallocated fair value represents the implied fair value of goodwill, which is compared with its corresponding carrying value. The Gas Company, District Energy and Atlantic Aviation are separate reporting units for purposes of this analysis. The impairment test for trademarks, which are not amortized, requires the determination of the fair value of such assets. If the fair value of the trademarks are less than their carrying value, an impairment loss is recognized in an amount equal to the difference. We cannot predict the occurrence of certain future events that might adversely affect the reported value of goodwill and/or intangible assets. Such events include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on our customer base, or material negative change in relationship with significant customers.

Property and equipment is initially stated at cost. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the property and equipment after consideration of historical results and anticipated results based on our current plans. Our estimated useful lives represent the period the asset remains in service assuming normal routine maintenance. We review the estimated useful lives assigned to property and equipment when our business experience suggests that they do not properly reflect the consumption of economic benefits embodied in the property and equipment nor result in the appropriate matching of cost against revenue. Factors that lead to such a conclusion may include physical observation of asset usage, examination of realized gains and losses on asset disposals and consideration of market trends such as technological obsolescence or change in market demand.

Significant intangibles, including contract rights, customer relationships, non-compete agreements and technology are amortized using the straight-line method over the estimated useful lives of the intangible asset after consideration of historical results and anticipated results based on our current plans. With respect to contract rights in our Atlantic Aviation business, we take into consideration the history of contract right renewals in determining our assessment of useful life and the corresponding amortization period.

TABLE OF CONTENTS

We perform impairment reviews of property and equipment and intangibles subject to amortization, when events or circumstances indicate that assets are less than their carrying amount and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. In this circumstance, the impairment charge is determined based upon the amount by which the net book value of the assets exceeds their fair market value.

Any impairment is measured by comparing the fair value of the asset to its carrying value.

The implied fair value of reporting units and fair value of property and equipment and intangible assets is determined by our management and is generally based upon future cash flow projections for the acquired assets, discounted to present value. We use outside valuation experts when management considers that it is appropriate to do so.

We test for goodwill and indefinite-lived intangible assets when there is an indicator of impairment. For the six months ended June 30, 2012 and 2011, there were no indicators of impairments for goodwill, property, equipment, land and leasehold improvements and intangible assets.

Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk, see Part II, Item 7A **Quantitative and Qualitative Disclosures about Market Risk** in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. Our exposure to market risk has not changed materially since February 22, 2012, our 10-K filing date.

Controls and Procedures

Under the direction and with the participation of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures (as such term is defined under Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2012. There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended June 30, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

CONSOLIDATED CONDENSED BALANCE SHEETS

(\$ In Thousands, Except Share Data)

	June 30, 2012	December 31, 2011
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 145,574	\$ 22,786
Accounts receivable, less allowance for doubtful accounts of \$639 and \$445, respectively	64,694	56,458
Inventories	22,117	23,106
Prepaid expenses	5,754	7,338
Deferred income taxes	19,291	19,102
Other	14,306	14,523
Total current assets	271,736	143,313
Property, equipment, land and leasehold improvements, net	559,425	561,022
Equipment lease receivables	30,263	32,189
Investment in unconsolidated business	136,463	230,401
Goodwill	516,175	516,175
Intangible assets, net	645,043	662,135
Other	21,162	23,398
Total assets	\$ 2,180,267	\$ 2,168,633
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Due to manager-related party	\$ 4,871	\$ 4,300
Accounts payable	27,421	29,199
Accrued expenses	24,974	23,827
Current portion of long-term debt	255,916	34,535
Fair value of derivative instruments	23,539	39,339
Other	18,342	17,702
Total current liabilities	355,063	148,902
Long-term debt, net of current portion	858,827	1,086,053
Deferred income taxes	195,073	177,262
Fair value of derivative instruments	9,819	15,576
Other	47,007	46,980
Total liabilities	1,465,789	1,474,773
Commitments and contingencies		
Members' equity:		
LLC interests, no par value; 500,000,000 authorized; 46,645,028 LLC	942,955	951,729

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

interests issued and outstanding at June 30, 2012 and 46,338,225 LLC
interests issued and outstanding at December 31, 2011

Additional paid in capital	21,447	21,447
Accumulated other comprehensive loss	(22,549)	(27,412)
Accumulated deficit	(216,852)	(242,082)
Total members' equity	725,001	703,682
Noncontrolling interests	(10,523)	(9,822)
Total equity	714,478	693,860
Total liabilities and equity	\$2,180,267	\$2,168,633

See accompanying notes to the consolidated condensed financial statements.

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC****CONSOLIDATED CONDENSED STATEMENTS OF
OPERATIONS
(Unaudited)****(\$ In Thousands, Except Share and Per Share Data)**

	Quarter Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Revenue				
Revenue from product sales	\$ 169,129	\$ 161,582	\$ 342,083	\$ 314,646
Revenue from product sales utility	36,807	36,421	75,121	70,694
Service revenue	51,430	47,923	103,839	99,170
Financing and equipment lease income	1,150	1,261	2,329	2,548
Total revenue	258,516	247,187	523,372	487,058
Costs and expenses				
Cost of product sales	115,720	113,226	235,101	218,551
Cost of product sales utility	31,324	30,772	63,496	57,637
Cost of services	13,784	12,690	26,445	24,844
Selling, general and administrative	50,467	48,309	105,730	99,979
Fees to manager-related party	4,760	4,156	9,755	7,788
Depreciation	7,557	8,623	15,108	15,833
Amortization of intangibles	8,546	16,044	17,092	24,763
Loss on disposal of assets	327	1,225	327	1,225
Total operating expenses	232,485	235,045	473,054	450,620
Operating income	26,031	12,142	50,318	36,438
Other income (expense)				
Interest income	4	97	6	101
Interest expense ⁽¹⁾	(10,925)	(19,866)	(23,932)	(34,335)
Equity in earnings and amortization charges of investee	6,805	3,270	16,306	11,632
Other income (expense), net	48	(46)	(4)	(395)
Net income (loss) before incomes taxes	21,963	(4,403)	42,694	13,441
(Provision) benefit for income taxes	(9,935)	488	(16,456)	(6,498)
Net income (loss)	\$ 12,028	\$ (3,915)	\$ 26,238	\$ 6,943
Less: net income (loss) attributable to noncontrolling interests	890	(1,425)	1,008	(1,732)
Net income (loss) attributable to MIC LLC	\$ 11,138	\$ (2,490)	\$ 25,230	\$ 8,675
Basic income (loss) per share attributable to MIC LLC interest holders	\$ 0.24	\$ (0.05)	\$ 0.54	\$ 0.19
Weighted average number of shares outstanding: basic	46,532,402	45,901,486	46,444,280	45,816,499

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

Diluted income (loss) per share attributable to MIC LLC interest holders	\$0.24	\$(0.05) \$0.54	\$0.19
Weighted average number of shares outstanding: diluted	46,553,858	45,901,486	46,466,575	45,846,235
Cash dividends declared per share	\$0.625	\$0.20	\$0.825	\$0.40

- (1) Interest expense includes non-cash gains on derivative instruments of \$7.5 million and \$13.1 million for the quarter and six months ended June 30, 2012, respectively. For the quarter and six months ended June 30, 2011, interest expense includes non-cash losses on derivative instruments of \$545,000 and non-cash gains on derivative instruments of \$5.0 million, respectively.

See accompanying notes to the consolidated condensed financial statements.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

**CONSOLIDATED CONDENSED STATEMENTS OF
COMPREHENSIVE INCOME**

(Unaudited)

(\$ In Thousands)

	Quarter Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Net income (loss)	\$12,028	\$(3,915)	\$26,238	\$ 6,943
Other comprehensive income, net of taxes:				
Reclassification of realized losses of derivatives into earnings ⁽¹⁾	2,506	3,573	5,182	1,859
Translation adjustment ⁽²⁾			104	
Other comprehensive income	2,506	3,573	5,286	1,859
Comprehensive income (loss)	\$14,534	\$(342)	\$31,524	\$ 8,802
Less: comprehensive income (loss) attributable to noncontrolling interests	1,100	(1,109)	1,431	(1,071)
Comprehensive income attributable to MIC LLC	\$13,434	767	\$30,093	\$ 9,873

Reclassification of realized losses of derivatives into earnings is presented net of taxes of \$1.6 million and \$3.4 million for the quarter and six month ended June 30, 2012, respectively. Reclassification of realized losses of derivatives into earnings is presented net of taxes of \$2.4 million and \$4.9 million for the quarter and six month ended June 30, 2011, respectively.

(2) Translation adjustment is presented net of taxes of \$56,000 for the six months ended June 30, 2012.

See accompanying notes to the consolidated condensed financial statements.

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC**

**CONSOLIDATED CONDENSED STATEMENTS OF
CASH FLOWS
(Unaudited)
(\$ In Thousands)**

	Six Months Ended	
	June 30, 2012	June 30, 2011
Operating activities		
Net income	\$26,238	\$6,943
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	18,459	19,138
Amortization of intangible assets	17,092	24,763
Loss on disposal of assets	47	1,153
Equity in earnings and amortization charges of investees	(16,306)	(11,632)
Equity distributions from investees	70,931	
Amortization of debt financing costs	1,943	2,060
Non-cash derivative gains	(13,114)	(4,965)
Base management fees settled in LLC interests	9,755	7,788
Equipment lease receivable, net	1,710	1,493
Deferred rent	185	201
Deferred taxes	14,130	5,370
Other non-cash expenses, net	1,532	1,218
Changes in other assets and liabilities:		
Accounts receivable	(8,656)	(10,634)
Inventories	1,734	(45)
Prepaid expenses and other current assets	1,486	1,112
Due to manager related party	33	8
Accounts payable and accrued expenses	(472)	(1,436)
Income taxes payable	(66)	(251)
Other, net	(1,830)	(997)
Net cash provided by operating activities	124,831	41,287
Investing activities		
Proceeds from sale of assets	375	16,916
Purchases of property and equipment	(15,333)	(15,587)
Investment in capital leased assets		(24)
Return of investment in unconsolidated business	39,648	
Other	146	7
Net cash provided by investing activities	24,836	1,312

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

Financing activities		
Proceeds from long-term debt	10,000	2,489
Net proceeds on line of credit facilities		4,400
Dividends paid to holders of LLC interests	(18,562)	(9,170)
Distributions paid to noncontrolling interests	(2,133)	(3,951)
Payment of long-term debt	(15,845)	(24,500)
Debt financing costs paid	(66)	
Payment of notes and capital lease obligations	(273)	(76)
Net cash used in financing activities	(26,879)	(30,808)
Net change in cash and cash equivalents	122,788	11,791
Cash and cash equivalents, beginning of period	22,786	24,563
Cash and cash equivalents, end of period	\$145,574	\$36,354
Supplemental disclosures of cash flow information		
Non-cash investing and financing activities:		
Accrued purchases of property and equipment	\$2,083	\$2,163
Acquisition of equipment through capital leases	\$2,624	\$
Issuance of LLC interests to manager for base management fees	\$9,217	\$6,846
Issuance of LLC interests to independent directors	\$571	\$450
Taxes paid	\$2,613	\$1,349
Interest paid	\$34,972	\$37,296

See accompanying notes to the consolidated condensed financial statements.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Organization and Description of Business

Macquarie Infrastructure Company LLC, a Delaware limited liability company, was formed on April 13, 2004.

Macquarie Infrastructure Company LLC, both on an individual entity basis and together with its consolidated subsidiaries, is referred to in these financial statements as the Company or MIC. The Company owns, operates and invests in a diversified group of infrastructure businesses in the United States. Macquarie Infrastructure Management (USA) Inc. is the Company's manager and is referred to in these financial statements as the Manager. The Manager is a wholly-owned subsidiary within the Macquarie Group of companies, which is comprised of Macquarie Group Limited and its subsidiaries and affiliates worldwide. Macquarie Group Limited is headquartered in Australia and is listed on the Australian Stock Exchange.

MIC LLC is a non-operating holding company with a Board of Directors and other corporate governance responsibilities generally consistent with those of a Delaware corporation. MIC LLC has made an election to be treated as a corporation for tax purposes.

The Company owns its businesses through its wholly-owned subsidiary, Macquarie Infrastructure Company Inc., or MIC Inc. The Company's businesses operate predominantly in the United States and consist of the following:

The Energy-Related Businesses:

a 50% interest in a bulk liquid storage terminal business (International Matex Tank Terminals or IMTT), which provides bulk liquid storage and handling services at ten marine terminals in the United States and two in Canada and is one of the largest participants in this industry in the U.S., based on storage capacity;

a gas processing and distribution business (The Gas Company), which is a full-service gas energy company, making gas products and services available in Hawaii; and

a 50.01% controlling interest in a district energy business (District Energy), which operates among the largest district cooling system in the U.S., serving various customers in Chicago, Illinois and Las Vegas, Nevada.

Atlantic Aviation an airport services business providing products and services, including fuel and aircraft hangaring/parking, to owners and operators of general aviation aircraft at 64 airports in the U.S.

2. Basis of Presentation

The unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the

opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The preparation of consolidated condensed financial statements in conformity with GAAP requires estimates and assumptions. Management evaluates these estimates and assumptions on an ongoing basis. Actual results may differ from the estimates and assumptions used in the financial statements and notes. Operating results for the quarter and six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

The consolidated balance sheet at December 31, 2011 has been derived from audited financial statements but does not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. Certain reclassifications were made to the financial statements for the prior period to conform to current period presentation.

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)****2. Basis of Presentation (continued)**

The interim financial information contained herein should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2011 included in the Company's Annual Report on Form 10-K, as filed with the SEC on February 22, 2012.

3. Income per Share

Following is a reconciliation of the basic and diluted number of shares used in computing income per share:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Weighted average number of shares outstanding: basic	46,532,402	45,901,486	46,444,280	45,816,499
Dilutive effect of restricted stock unit grants	21,456		22,295	29,736
Weighted average number of shares outstanding: diluted	46,553,858	45,901,486	46,466,575	45,846,235

The effect of potentially dilutive shares for the quarter and six months ended June 30, 2012 is calculated assuming that the 18,208 restricted stock unit grants provided to the independent directors on May 31, 2012, which will vest during the second quarter of 2013, the 17,925 restricted stock unit grants on June 2, 2011, which vested during the second quarter of 2012, and the 5,209 restricted stock unit grants on August 12, 2011, which vested during the second quarter of 2012, had been fully converted to shares on those grant dates.

The effect of potentially dilutive shares for the six months ended June 30, 2011 is calculated assuming that the 17,925 restricted stock unit grants provided to the independent directors on June 2, 2011, which vested during the second quarter of 2012, and the 31,989 restricted stock unit grants provided to the independent directors on June 3, 2010, which vested during the second quarter of 2011, had been fully converted to shares on those grant dates. However, the restricted stock unit grants were anti-dilutive for the quarter ended June 30, 2011, due to the Company's net loss for that period.

4. Property, Equipment, Land and Leasehold Improvements

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

Property, equipment, land and leasehold improvements at June 30, 2012 and December 31, 2011 consist of the following (\$ in thousands):

	June 30, 2012	December 31, 2011
Land	\$ 4,618	\$ 4,618
Easements	5,624	5,624
Buildings	25,883	24,938
Leasehold and land improvements	332,431	329,710
Machinery and equipment	369,450	359,455
Furniture and fixtures	9,850	9,466
Construction in progress	14,692	12,501
Property held for future use	1,626	1,626
	764,174	747,938
Less: accumulated depreciation	(204,749)	(186,916)
Property, equipment, land and leasehold improvements, net	\$ 559,425	\$ 561,022

40

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)****5. Intangible Assets**

Intangible assets at June 30, 2012 and December 31, 2011 consist of the following (\$ in thousands):

	June 30, 2012	December 31, 2011
Contractual arrangements	\$ 747,107	\$ 748,722
Non-compete agreements	9,575	9,575
Customer relationships	79,445	79,445
Leasehold rights	3,330	3,330
Trade names	15,671	15,671
Technology	460	460
	855,588	857,203
Less: accumulated amortization	(210,545)	(195,068)
Intangible assets, net	\$ 645,043	\$ 662,135

The goodwill balance as of June 30, 2012 is comprised of the following (\$ in thousands):

Goodwill acquired in business combinations, net of disposals	\$ 639,375
Less: accumulated impairment charges	(123,200)
Balance at June 30, 2012 and December 31, 2011	\$ 516,175

The Company tests for goodwill impairment at the reporting unit level on an annual basis on October 1st of each year and between annual tests if a triggering event indicates impairment. There were no triggering events indicating impairment for the six months ended June 30, 2012.

6. Long-Term Debt

At June 30, 2012 and December 31, 2011, the Company's consolidated long-term debt consists of the following (\$ in thousands):

	June 30, 2012	December 31, 2011
The Gas Company	\$ 180,000	\$ 170,000

District Energy	170,000	170,000
Atlantic Aviation	764,743	780,588
Total	1,114,743	1,120,588
Less: current portion	(255,916)	(34,535)
Long-term portion	\$ 858,827	\$ 1,086,053

Under the terms of Atlantic Aviation's credit facility, the business must apply all excess cash flow from the business to prepay additional debt whenever the leverage ratio (debt to adjusted EBITDA as defined under the loan agreement) is equal to or greater than 6.0x to 1.0 for the trailing twelve months and must use 50% of excess cash flow to prepay debt whenever the leverage ratio is equal to or greater than 5.5x to 1.0 and below 6.0x to 1.0. For the quarter and six months ended June 30, 2012, Atlantic Aviation used \$9.5 million and \$16.2 million, respectively, of excess cash flow to prepay \$9.2 million and \$15.7 million, respectively, of the outstanding principal balance of the term loan and \$252,000 and \$500,000, respectively, in interest rate swap breakage fees. The Company has classified \$66.7 million relating to Atlantic Aviation's term loan debt in the current portion of long-term debt in the consolidated condensed balance sheet at June 30, 2012, as it expects to repay this amount within one year.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

6. Long-Term Debt (continued)

On August 10, 2012, Atlantic Aviation expects to use \$7.5 million of excess cash flow to prepay the outstanding principal balance of the term debt under this facility and will incur interest rate swap breakage fees.

During 2010, Atlantic Aviation raised a \$3.5 million stand-alone debt facility to partially fund the construction of a new FBO at Oklahoma City Will Rogers World Airport. At June 30, 2012, the outstanding balance on the stand-alone facility was \$3.3 million. The Company has classified \$299,000 in current portion of long-term debt in the consolidated condensed balance sheet at June 30, 2012.

The Company is finalizing the refinancing of The Gas Company's long term debt facilities. The existing facilities will mature in June of 2013. The Gas Company has received commitments totaling \$140.0 million from a syndicate of banks for a five-year, \$80.0 million term loan bearing interest at a variable rate of LIBOR + 2.25%, and a five-year, \$60.0 million revolver bearing interest at a variable rate of LIBOR + 1.50%. The Gas Company filed for approval of the \$60.0 million revolver with the HPUC on April 5, 2012 and expects to receive the approval in August of 2012. The business is reviewing various options for hedging the variable rate component of the debt. Additionally, The Gas Company has received commitments totaling \$100.0 million from purchasers of 10-year private placement notes. The notes will bear interest at 4.22% payable semi-annually. The refinancings are expected to close in August of 2012.

Notwithstanding that The Gas Company has received commitments to refinance its entire existing \$180.0 million credit facility and The Company expects this refinancing to close in August of 2012, this debt is required to be classified in current liabilities in the accompanying consolidated condensed balance sheet as of June 30, 2012 in accordance with Generally Accepted Accounting Principles.

As of June 30, 2012, the Company classified \$8.9 million relating to District Energy's debt in the current portion of long-term debt in the consolidated condensed balance sheet at June 30, 2012, as it expects to repay this amount within one year.

7. Derivative Instruments and Hedging Activities

The Company and its businesses have in place variable-rate debt. Management believes that it is prudent to limit the variability of a portion of the business' interest payments. To meet this objective, the Company enters into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk on a majority of its debt with a variable-rate component. These swaps change the variable-rate cash flow exposure on the debt obligations to fixed cash flows. Under the terms of the interest rate swaps, the Company receives variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt for the portion of the debt that is swapped.

At June 30, 2012, the Company had \$1.1 billion of current and long-term debt, \$1.0 billion of which was economically hedged with interest rate swaps and \$93.3 million of which was unhedged.

Effective February 25, 2009 for Atlantic Aviation and effective April 1, 2009 for the Company's other businesses, the Company elected to discontinue hedge accounting. In prior periods, when the Company applied hedge accounting, changes in the fair value of derivatives that effectively offset the variability of cash flows on the Company's debt interest obligations were recorded in other comprehensive income or loss. From the dates that hedge accounting was discontinued, all movements in the fair value of the interest rate swaps are recorded directly through earnings. As interest payments are made, a portion of the other comprehensive loss recorded under hedge accounting is also reclassified into earnings. The Company will reclassify into earnings \$7.6 million of net derivative losses, included in accumulated other comprehensive loss as of June 30, 2012, over the remaining life of the existing interest rate swaps, of which approximately \$6.4 million will be reclassified over the next 12 months.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)**

7. Derivative Instruments and Hedging Activities (continued)

As discussed in Note 6, Long-Term Debt, Atlantic Aviation must apply all of its excess cash flow to prepay debt whenever the leverage ratio, as defined by the amended credit facility, is equal to or greater than 6.0x to 1.0 for the trailing twelve months and must use 50% of excess cash flow to prepay debt whenever the leverage ratio is equal to or greater than 5.5x to 1.0 and below 6.0x to 1.0. Atlantic Aviation will record additional reclassifications from accumulated other comprehensive loss to interest expense if the business pays down its debt more quickly than originally anticipated.

Similarly, excess cash flow generated at District Energy must be applied toward the principal balance of the term loan during the last two years before maturity. District Energy will record additional reclassifications from accumulated other comprehensive loss to interest expense when the business pays down its debt more quickly than anticipated.

During the quarter ended June 30, 2012, Atlantic Aviation and District Energy amended its interest rate basis swap contracts that expire in October of 2012 and June of 2013, respectively. These contracts effectively changed the interest rate index on each business existing swap contracts from the 90-day LIBOR rate to the 30-day LIBOR rate plus a margin of 10 basis points for Atlantic Aviation and 9 basis points for District Energy. This transaction is expected to result in approximately \$280,000 lower interest expense for these businesses for the year ended December 31, 2012 and approximately \$65,000 lower interest expense for District Energy for the six months ended June 30, 2013.

The Company measures derivative instruments at fair value using the income approach which discounts the future net cash settlements expected under the derivative contracts to a present value. These valuations utilize primarily observable (level 2) inputs, including contractual terms, interest rates and yield curves observable at commonly quoted intervals.

The Company's fair value measurements of its derivative instruments and the related location of the liabilities associated with the hedging instruments within the consolidated condensed balance sheets at June 30, 2012 and December 31, 2011 were as follows (\$ in thousands):

Balance Sheet Location	Liabilities at Fair Value ⁽¹⁾	
	June 30, 2012	December 31, 2011
Interest Rate Swap		
Contracts Not Designated as Hedging Instruments		

Edgar Filing: Macquarie Infrastructure CO LLC - Form 10-Q

Fair value of derivative instruments	current liabilities	\$ 23,539	\$ 39,339
Fair value of derivative instruments	non-current liabilities	9,819	15,576
Total interest rate swap derivative contracts		\$ 33,358	\$ 54,915

(1) Fair value measurements at reporting date were made using significant other observable inputs (level 2).

43

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)****7. Derivative Instruments and Hedging Activities (continued)**

The Company's hedging activities for the quarter and six months ended June 30, 2012 and 2011 and the related location within the consolidated condensed financial statements were as follows (\$ in thousands):

Financial Statement Account	Derivatives Not Designated as Hedging Instruments ⁽¹⁾			
	Amount of Gain/Loss Recognized in Interest Expense for the Quarter Ended June 30,		Amount of Gain/Loss Recognized in Interest Expense for the Six Months Ended June 30,	
	2012 ⁽²⁾	2011 ⁽³⁾	2012 ⁽²⁾	2011 ⁽³⁾
Interest expense	\$ (4,634)	\$ (13,926)	\$ (10,884)	\$ (22,509)
Total	\$ (4,634)	\$ (13,926)	\$ (10,884)	\$ (22,509)

(1) All derivatives are interest rate swap contracts.

Gains recognized in interest expense for the quarter and six months ended June 30, 2012 includes \$11.8 million (2) and \$23.5 million, respectively, in interest rate swap payments, offset by unrealized derivative gains of \$7.2 million and \$12.6 million, respectively, arising from:

the change in fair value of interest rate swaps from the discontinuation of hedge accounting; and interest rate swap break fees related to the pay down of debt at Atlantic Aviation.

Net gains recognized in interest expense for the quarter and six months ended June 30, 2011 includes \$12.7 million (3) and \$25.7 million, respectively, in interest rate swap payments and unrealized derivative losses of \$1.2 million and unrealized derivative gains of \$3.2 million, respectively.

All of the Company's derivative instruments are collateralized by all of the assets of the respective businesses.

8. Members Equity

The Company is authorized to issue 500,000,000 LLC interests. Each outstanding LLC interest of the Company is entitled to one vote on any matter with respect to which holders of LLC interests are entitled to vote.

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)****9. Reportable Segments**

The Company's operations are broadly classified into the energy-related businesses and an aviation-related business, Atlantic Aviation. The energy-related businesses consist of two reportable segments: The Gas Company and District Energy. The energy-related businesses also include a 50% investment in IMTT, which is accounted for under the equity method. Financial information for IMTT's business as a whole is presented below (\$ in thousands) (unaudited):

	As of, and for the Quarter Ended		As of, and for the Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Revenue	\$113,763	\$106,950	\$231,767	\$217,781
Net income	\$16,016	\$8,933	\$37,425	\$28,023
Interest expense, net	11,790	16,311	18,381	20,994
Provision for income taxes	11,869	5,903	26,236	19,447
Depreciation and amortization	17,117	16,360	34,024	32,035
Other non-cash expense (income)	90	(46)	278	(54)
EBITDA excluding non-cash items ⁽¹⁾	\$56,882	\$47,461	\$116,344	\$100,445
Capital expenditures paid	\$21,616	\$21,427	\$58,686	\$54,724
Property, equipment, land and leasehold improvements, net	1,133,272	1,060,646	1,133,272	1,060,646
Total assets balance	1,230,029	1,215,380	1,230,029	1,215,380

- (1) EBITDA consists of earnings before interest, taxes, depreciation and amortization. Non-cash items that are excluded consist of impairments, derivative gains and losses and all other non-cash income and expense items. All of the business segments are managed separately and management has chosen to organize the Company around the distinct products and services offered.

Energy-Related Businesses

IMTT provides bulk liquid storage and handling services in North America through ten terminals located on the East, West and Gulf Coasts, the Great Lakes region of the United States and partially owned terminals in Quebec and Newfoundland, Canada. IMTT derives the majority of its revenue from storage and handling of petroleum products, various chemicals, renewable fuels, and vegetable and animal oils. Based on storage capacity, IMTT operates one of the largest third-party bulk liquid storage terminal businesses in the United States.

The revenue from The Gas Company segment is included in revenue from product sales. Revenue is generated from the distribution and sales of synthetic natural gas, or SNG, and liquefied petroleum gas, or LPG. Revenue is primarily a function of the volume of SNG and LPG consumed by customers and the price per thermal unit or gallon charged to customers. Because both SNG and LPG are derived from petroleum, revenue levels, without organic growth, will generally track global oil prices. The utility revenue of The Gas Company reflects fuel adjustment charges, or FACs, through which changes in fuel costs are passed through to customers.

45

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL
STATEMENTS
(Unaudited)**

9. Reportable Segments (continued)

The revenue from the District Energy segment is included in service revenue and financing and equipment lease income. Included in service revenue is capacity revenue, which relates to monthly fixed contract charges, and consumption revenue, which relates to contractual rates applied to actual usage. Financing and equipment lease income relates to direct financing lease transactions and equipment leases to the business various customers. Finance lease revenue, recorded on the consolidated condensed statement of operations, is the interest portion of lease payments received from equipment leases with various customers primarily in Las Vegas. The principal portion of the cash receipts on these equipment leases are recorded in the operating activities of the consolidated condensed cash flow statements. District Energy provides its services to buildings primarily in the downtown Chicago, Illinois area and to a casino and a shopping mall located in Las Vegas, Nevada.

Atlantic Aviation

The Atlantic Aviation segment derives the majority of its revenues from fuel sales and from other airport services, including de-icing, aircraft hangarage and other aviation services. All of the revenue of Atlantic Aviation is generated at 64 airports in the U.S.

Selected information by segment is presented in the following tables. The tables do not include financial data for the Company's equity investment in IMTT.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)**

9. Reportable Segments (continued)

Revenue from external customers for the Company's consolidated reportable segments was as follows (\$ in thousands) (unaudited):

	Quarter Ended June 30, 2012			Total Reportable Segments
	Energy-related Businesses			
	The Gas Company	District Energy	Atlantic Aviation	
Revenue from Product Sales				
Product sales	\$ 29,748	\$	\$ 139,381	\$ 169,129
Product sales utility	36,807			36,807
	66,555		139,381	205,936
Service Revenue				