

Macquarie Infrastructure CO LLC
Form 10-Q
October 28, 2013

**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 September 30, 2013**

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 53,469,879 LLC Interests without par value outstanding at October 25, 2013.

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> | 1 |
| <u>Quantitative and Qualitative Disclosure About Market Risk</u> | 40 |
| <u>Controls and Procedures</u> | 40 |
| <u>Consolidated Condensed Balance Sheets as of September 30, 2013 (Unaudited) and December 31, 2012</u> | 41 |
| <u>Consolidated Condensed Statements of Operations for the Quarters and Nine Months Ended September 30, 2013 and 2012 (Unaudited)</u> | 42 |
| <u>Consolidated Condensed Statements of Comprehensive Income for the Quarters and Nine Months Ended September 30, 2013 and 2012 (Unaudited)</u> | 43 |
| <u>Consolidated Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012 (Unaudited)</u> | 44 |
| <u>Notes to Consolidated Condensed Financial Statements (Unaudited)</u> | 46 |
| PART II. OTHER INFORMATION | |
| <u>Item 1.</u> | 69 |
| <u>Legal Proceedings</u> | |
| <u>Item 1A.</u> | 69 |
| <u>Risk Factors</u> | |
| <u>Item 2.</u> | 70 |
| <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | |
| <u>Item 3.</u> | 70 |
| <u>Defaults Upon Senior Securities</u> | |
| <u>Item 4.</u> | 70 |
| <u>Mine Safety Disclosures</u> | |
| <u>Item 5.</u> | 70 |
| <u>Other Information</u> | |
| <u>Item 6.</u> | 70 |
| <u>Exhibits</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, 2012. 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 Securities and Exchange Commission (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 gas utility services to businesses and individuals primarily in the U.S. The businesses we own and operate include:

International Matex Tank Terminals or IMTT : a 50% interest in a bulk liquid storage terminal business, 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;

Hawaii Gas: a full-service gas energy company processing and distributing gas products and providing related services in Hawaii;

District Energy: a 50.01% controlling interest in a district energy business, which operates one of the largest district cooling systems 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 62 airports in the U.S.; and

MIC Solar: interests in five contracted solar power generation facilities located in the southwest U.S. that are expected to have an aggregate generating capacity of 57 megawatts of wholesale electricity to utilities and a U.S. Air Force base.

Our infrastructure businesses generally operate in sectors with limited direct 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, 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.

1

TABLE OF CONTENTS

At IMTT, we focus on the amount of liquid storage capacity 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. Capacity utilization is expected to decrease modestly during 2013 compared with 2012 as a result of certain large storage tanks being taken out of service for cleaning and inspection. The decrease associated with this activity is expected to be partially offset by the commissioning of new storage capacity currently under construction.

At Hawaii Gas, 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 gas sales as well. Hawaii Gas 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 levied on the utility portion of the business, although we do not intend to pursue any significant rate case in 2013. The pricing of non-utility gas is adjusted to reflect changes in the cost of the product and costs associated with delivering it to customers. In addition to the existing utility and non-utility operations, Hawaii Gas is advancing initiatives related to the distribution of Liquefied Natural Gas, or LNG.

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. Financial results are subject to slight variation based on the extent to which the temperatures and humidity in Chicago are above or below historic norms.

We expect to continue to invest in contracted power businesses and to date have invested in five solar power generating facilities. We have developed a pipeline of similar investment opportunities and believe that we could potentially deploy additional capital in this segment over the upcoming twelve to eighteen months.

IMTT, Hawaii Gas, District Energy and MIC Solar are largely resistant to economic downturns, primarily due to the contracted or utility-like nature of their revenues. The results for these businesses also reflect the essential services they provide and the contractual or regulatory ability to pass most cost increases through to customers. We believe these businesses are characteristically 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 Fixed Base Operations (FBOs). The number of general aviation flight movements has improved consistently since the first quarter of 2009. We believe that the level of flight activity will continue to increase during the remainder of 2013, subject to continued economic expansion in the United States.

Improvement in the level of general aviation flight activity in the U.S., along with the refinancing of the long-term debt at Atlantic Aviation in the second quarter of 2013, has resulted in an increase in the amount of distributable cash flow generated by the business. We believe that the reduction in leverage at Atlantic Aviation will support ongoing distributions from the business to MIC and, subject to additional improvement in the macro-economic backdrop and continued improvement in the operating performance of our businesses, growth in those distributions over time.

TABLE OF CONTENTS**Dividends**

Since January 1, 2012, MIC has paid or declared the following dividends:

| Declared | Period Covered | \$ per LLC Interest | Record Date | Payable Date |
|-------------------|------------------------|---------------------------|----------------------|----------------------|
| October 25, 2013 | Third quarter 2013 | \$0.875 | November 11, 2013 | November 14, 2013 |
| July 29, 2013 | Second quarter 2013 | \$0.875 | August 12, 2013 | August 15, 2013 |
| April 26, 2013 | First quarter 2013 | \$0.6875 | May 13, 2013 | May 16, 2013 |
| December 12, 2012 | Fourth quarter 2012 | \$0.6875 | December 24, 2012 | December 28, 2012 |
| October 29, 2012 | Third quarter 2012 | \$0.6875 | November 12, 2012 | November 15, 2012 |
| 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 01, 2012 | Fourth quarter 2011 | \$0.20 | March 05, 2012 | March 08, 2012 |

Our Board has previously expressed its intent to distribute a significant portion of the Free Cash Flow generated by our proportionately owned businesses in the form of a quarterly cash dividend to our shareholders. Free Cash Flow includes cash generated by our businesses after cash payment for interest, taxes, maintenance capital expenditures and excludes changes in working capital. The payment of a quarterly cash dividend of \$0.875 per share for the quarter ended September 30, 2013 is being paid out of Free Cash Flow generated by certain of our operating entities, supplemented by cash on hand at MIC. Each of IMTT, Atlantic Aviation, Hawaii Gas and MIC Solar can distribute cash to MIC. Cash generated at District Energy is being used to reduce debt principal in that business until the long-term debt of the business has been refinanced. We expect to commence a refinancing of District Energy in late 2013, subject to market conditions. We do not believe that our inability to make distributions at this time from District Energy impacts the sustainability of our quarterly cash dividend.

In determining whether to change the amount of the dividend, our Board will take into account such matters as the state of the capital markets and general business conditions, the Company's financial condition, results of operations, capital requirements and any contractual, legal and regulatory restrictions on the payment of dividends by the Company to its shareholders or by its subsidiaries to the Company, and any other factors that it deems relevant. In particular, each of the Company's businesses and investments has debt commitments and restrictive covenants, which must be satisfied before any of them can make distributions to the Company. Any or all of these factors could affect both the timing and amount, if any, of future dividends.

We view MIC as a total return investment opportunity. Consistent with that view, we believe that over time we will distribute cash equal to approximately 80% to 85% of the Free Cash Flow (in proportion to our equity interest) generated by our businesses, subject to their continued stable performance and prevailing economic conditions. See *Results of Operations – Consolidated: Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) excluding non-cash items and Free Cash Flow* and *Summary of Our Proportionately Combined Results* for further discussions on Free Cash Flow and our proportionately combined financial measures in Part I of this Form 10-Q.

We further believe that the growth characteristics of our businesses will cause our distributable cash flow per share to grow at a high single-digit rate annually over the medium term, again subject to the continued stable performance of our businesses. From 2007 through 2012, our proportionately combined Free Cash Flow per share grew at a compound annual rate of 12.5% per year. We believe that our quarterly cash dividend, combined with the potential for capital appreciation stemming from the growth of each of our businesses, supports our view of the Company as a total return investment opportunity.

MIC Solar

Beginning with the reporting of our financial results for the third quarter of 2013, MIC Solar constitutes a reportable segment under U.S. GAAP. Accordingly, the results of operations of MIC Solar have been reported separately for the quarter and nine months ended September 30, 2013. For the quarter ended December 31, 2012 through the quarter ended June 30, 2013, results for MIC Solar were reported as a

TABLE OF CONTENTS

component of our Corporate and Other segment. With the filing of our financial results on Form 10-Q for the third quarter of 2013, the Corporate and Other segment results have been restated for those periods to exclude MIC Solar.

Second Amended and Restated Management Service Agreement

On September 30, 2013, Macquarie Infrastructure Company LLC entered into a Second Amended and Restated Management Services Agreement (the "Amended Agreement"), among the Company, Macquarie Infrastructure Company Inc. and Macquarie Infrastructure Management (USA) Inc. (the "Manager"). The amendments to the agreement revise the payment mechanics related to the base management fee payable by the Company to the Manager, and align the share price used to calculate the base management fee with the share price at which the Manager may reinvest the base management fee in LLC Interests. Effective October 1, 2013, pursuant to the Amended Agreement, base management fees will be calculated and payable monthly rather than quarterly. Performance fees will continue to be calculated and, if generated, paid quarterly. No substantive changes to the formulas or methodology used to calculate the amount of the base management or performance fees that may be due to the Manager were made. The Amended Agreement also makes certain non-substantive changes to eliminate parties and provisions that are no longer relevant.

Atlantic Aviation Refinancing

On May 31, 2013, Atlantic Aviation entered into a credit agreement (the "AA Credit Agreement") that provides the business with a seven-year, \$465.0 million senior secured first lien term loan facility and a five-year, \$70.0 million senior secured first lien revolving credit facility. Proceeds of the term loan facility, together with proceeds from the equity offering discussed below and cash on hand, were used to repay all of the amounts outstanding under Atlantic Aviation's then existing credit agreement dated September 27, 2007.

The AA Credit Agreement also provides for an uncommitted incremental facility that permits Atlantic Aviation, subject to certain conditions, to increase the term loan facility by up to \$50.0 million plus an additional amount if certain senior secured leverage ratio requirements are maintained. For a description of the material terms of Atlantic Aviation's credit facilities, see Note 7, "Long-Term Debt", in Part I of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.

MIC Equity Offering

On May 8, 2013, the Company completed an underwritten public offering and sale of 3,756,500 LLC Interests pursuant to the shelf. On May 16, 2013, the Company sold an additional 133,375 LLC Interests in this offering pursuant to the exercise of the underwriters' over-allotment option. The Company received proceeds from the offering of \$217.8 million, net of underwriting fees and expenses.

Shelf Registration Statement and MIC Direct

On April 8, 2013, the Company filed an automatic shelf registration statement on Form S-3 ("shelf") with the Securities and Exchange Commission to issue and sell an indeterminate amount of its LLC Interests and debt securities in one or more future offerings. Along with the shelf, the Company filed a prospectus supplement with respect to a dividend reinvestment/direct stock purchase program named "MIC Direct". The prospectus supplement relates to the issuance of up to 1.0 million additional LLC Interests to participants in MIC Direct. The Company may also choose to fill requests for reinvestment of dividends or share purchases through MIC Direct via open market purchases.

Income Taxes

We file a consolidated federal income tax return that includes the taxable income of Hawaii Gas, Atlantic Aviation and our allocated share of the taxable income from MIC Solar, which is treated as a partnership for tax purposes.

IMTT and District Energy file separate federal income tax returns.

As a result of having federal net operating loss, or NOL, carryforwards, we do not expect to make regular federal tax payments until 2016. However, we expect to pay an Alternative Minimum Tax of approximately \$201,000 for 2013.

In addition, we expect District Energy to pay an Alternative Minimum Tax of approximately \$114,000. We expect that the Alternative Minimum Tax paid for 2013 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.

TABLE OF CONTENTS

Pursuant to 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 as if they were not part of the MIC consolidated federal income tax return.

American Taxpayer Relief Act of 2012

In January of 2013, the American Taxpayer Relief Act of 2012 (the 2012 Tax Act) was signed. The 2012 Tax Act extends the period over which the 50% bonus depreciation provided for in the Tax Relief, Unemployment Insurance Reauthorization Act of 2010 (the 2010 Tax Act) applies to include 2013. The Company expects to take the bonus depreciation provision into consideration when evaluating its maintenance and growth capital expenditure plans for the remainder of 2013.

Results of Operations

Consolidated

Key Factors Affecting Operating Results:

an increase in terminal revenue and capacity at IMTT;
lower interest expense driven by lower average cost of debt and reduced debt levels primarily at Atlantic Aviation;
and
improved gross profit at Atlantic Aviation; partially offset by
performance fees incurred in 2013

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

Our consolidated results of operations are as follows:

| | Quarter Ended September 30, 2013 2012 | | Change Favorable/ (Unfavorable) \$ % | | Nine Months Ended September 30, 2013 2012 | | Change Favorable/ (Unfavorable) \$ % | |
|---------------------------------------------------------|--------------------------------------------------|------------|-----------------------------------------------------|---------|------------------------------------------------------|------------|-----------------------------------------------------|---------|
| | (\$ In Thousands) (Unaudited) | | | | | | | |
| Revenue | | | | | | | | |
| Revenue from product sales | \$ 172,169 | \$ 166,385 | 5,784 | 3.5 | \$ 513,465 | \$ 508,468 | 4,997 | 1.0 |
| Revenue from product sales utility | 32,981 | 35,535 | (2,554) | (7.2) | 104,095 | 110,656 | (6,561) | (5.9) |
| Service revenue | 57,752 | 56,214 | 1,538 | 2.7 | 160,153 | 160,053 | 100 | 0.1 |
| Financing and equipment lease income | 817 | 1,119 | (302) | (27.0) | 2,779 | 3,448 | (669) | (19.4) |
| Total revenue | 263,719 | 259,253 | 4,466 | 1.7 | 780,492 | 782,625 | (2,133) | (0.3) |
| Costs and expenses | | | | | | | | |
| Cost of product sales | 113,974 | 111,677 | (2,297) | (2.1) | 340,122 | 346,778 | 6,656 | 1.9 |
| Cost of product sales utility | 28,142 | 31,001 | 2,859 | 9.2 | 89,095 | 94,497 | 5,402 | 5.7 |
| Cost of services | 13,584 | 15,044 | 1,460 | 9.7 | 37,030 | 41,489 | 4,459 | 10.7 |
| Gross profit | 108,019 | 101,531 | 6,488 | 6.4 | 314,245 | 299,861 | 14,384 | 4.8 |
| Selling, general and administrative | 53,669 | 51,571 | (2,098) | (4.1) | 154,998 | 157,301 | 2,303 | 1.5 |
| Fees to manager-related party | 15,242 | 29,353 | 14,111 | 48.1 | 76,912 | 39,108 | (37,804) | (96.7) |
| Depreciation | 10,039 | 7,596 | (2,443) | (32.2) | 28,730 | 22,704 | (6,026) | (26.5) |
| Amortization of intangibles | 8,618 | 8,800 | 182 | 2.1 | 25,866 | 25,892 | 26 | 0.1 |
| Loss from customer contract termination | | | | | 1,626 | | (1,626) | NM |
| Loss (gain) on disposal of assets | 50 | (1,706) | (1,756) | (102.9) | 226 | (1,379) | (1,605) | (116.4) |
| Total operating expenses | 87,618 | 95,614 | 7,996 | 8.4 | 288,358 | 243,626 | (44,732) | (18.4) |
| Operating income | 20,401 | 5,917 | 14,484 | NM | 25,887 | 56,235 | (30,348) | (54.0) |
| Other income (expense) | | | | | | | | |
| Interest income | 39 | 110 | (71) | (64.5) | 182 | 116 | 66 | 56.9 |
| Interest expense ⁽¹⁾ | (15,767) | (15,144) | (623) | (4.1) | (31,190) | (39,076) | 7,886 | 20.2 |
| Loss on extinguishment of debt | | | | | (2,472) | | (2,472) | NM |
| Equity in earnings and amortization charges of investee | 8,576 | 6,989 | 1,587 | 22.7 | 30,327 | 23,295 | 7,032 | 30.2 |
| Other income, net | 829 | 249 | 580 | NM | 514 | 245 | 269 | 109.8 |
| | 14,078 | (1,879) | 15,957 | NM | 23,248 | 40,815 | (17,567) | (43.0) |

| | | | | | | | | |
|------------------------------------------------------------------|----------|------------|----------|----|----------|-----------|----------|---------|
| Net income (loss) before income taxes | | | | | | | | |
| (Provision) benefit for income taxes | (5,829) | 1,758 | (7,587) | NM | (9,241) | (14,698) | 5,457 | 37.1 |
| Net income (loss) | \$8,249 | \$(121) | 8,370 | NM | \$14,007 | \$26,117 | (12,110) | (46.4) |
| Less: net (loss) income attributable to noncontrolling interests | (2,158) | 1,758 | 3,916 | NM | (1,423) | 2,766 | 4,189 | 151.4 |
| Net income (loss) attributable to MIC LLC | \$10,407 | \$(1,879) | 12,286 | NM | \$15,430 | \$23,351 | (7,921) | (33.9) |

NM Not meaningful

- (1) Interest expense includes losses on derivative instruments of \$8.0 million and \$9.6 million for the quarter and nine months ended September 30, 2013, respectively. For the quarter and nine months ended September 30, 2012, interest expense includes losses on derivative instruments of \$9.4 million and \$20.3 million, respectively.

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

Consolidated gross profit increased in the quarter and nine months ended September 30, 2013 compared with the quarter and nine months ended September 30, 2012 reflecting improved results at Atlantic Aviation and the contribution from our MIC Solar business (which did not exist in 2012). This increase was partially offset by a reduction in cooling consumption gross profit at District Energy during the periods.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the quarter ended September 30, 2013 compared with the quarter ended September 30, 2012 primarily as a result of transactional costs incurred at MIC Solar for two projects that were acquired during the quarter and a project that was acquired in October of 2013.

Selling, general and administrative expenses decreased for the nine months ended September 30, 2013 compared with nine months ended September 30, 2012 primarily as a result of lower legal fees at the MIC holding company level, most significantly those incurred in connection with the arbitration and related matters involving MIC and its IMTT co-investor incurred during the nine months ended September 30, 2012, partially offset by transactional costs incurred at MIC Solar primarily for two projects that were acquired during the quarter and a project that was acquired in October of 2013 and severance costs at Hawaii Gas.

Fees to Manager

Our Manager is entitled to a base management fee based primarily on our market capitalization, and potentially a performance fee, based on the performance of our stock relative to a U.S. utilities index. For the quarter and nine months ended September 30, 2013, we incurred base management fees of \$8.3 million and \$23.5 million, respectively, and performance fees of \$6.9 million and \$53.4 million, respectively, payable to our Manager. Our Manager elected to reinvest the base management fees and performance fees in additional LLC interests. For the quarter and nine months ended September 30, 2012, we incurred base management fees of \$5.8 million and \$15.6 million, respectively, and performance fees of \$23.5 million for the quarter ended September 30, 2012 payable to our Manager.

The unpaid portion of the base management fees and performance fees at the end of each reporting period is included in due to manager-related party in the consolidated condensed balance sheets. The following table shows our Manager's election to reinvest its quarterly base management fees and performance fees, if any, in additional LLC interests:

| Period | Base Management Fee Amount (\$ in thousands) | Performance Fee Amount (\$ in thousands) | LLC Interests Issued | Issue Date |
|---------------------|----------------------------------------------|------------------------------------------|----------------------|--------------------|
| 2013 Activities: | | | | |
| Third quarter 2013 | \$ 8,336 | \$ 6,906 | (1) | (1) |
| Second quarter 2013 | 8,053 | 24,440 | 603,936 | September 04, 2013 |
| First quarter 2013 | 7,135 | 22,042 | 522,638 | June 05, 2013 |

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

2012 Activities:

| | | | | |
|---------------------|----------|-----------|---------|-------------------|
| Fourth quarter 2012 | \$ 6,299 | \$ 43,820 | 980,384 | March 20, 2013 |
| Third quarter 2012 | 5,844 | 23,509 | 695,068 | December 05, 2012 |
| Second quarter 2012 | 4,760 | | 113,847 | August 30, 2012 |
| First quarter 2012 | 4,995 | | 147,682 | May 31, 2012 |

(1) LLC interests for the third quarter of 2013 base management and performance fee will be issued to the Manager during the fourth quarter of 2013.

7

TABLE OF CONTENTS

Results of Operations: *Consolidated* (continued)

Depreciation

Depreciation expense increased for the quarter and nine months ended September 30, 2013 compared with the quarter and nine months ended September 30, 2012 primarily as a result of the depreciation from the two MIC Solar projects that are operational.

Interest Expense and Loss on Derivative Instruments

Interest expense includes losses on derivative instruments of \$8.0 million and \$9.6 million for the quarter and nine months ended September 30, 2013, respectively, and losses on derivative instruments of \$9.4 million and \$20.3 million for the quarter and nine months ended September 30, 2012, respectively. Losses on derivatives recorded in interest expense are attributable to the change in fair value of interest rate instruments and include the reclassification of amounts from accumulated other comprehensive loss into earnings. Excluding the derivative adjustments and interest rate swap breakage fees at Atlantic Aviation and Hawaii Gas, interest expense decreased primarily due to the expiration of an unfavorable interest rate swap at Atlantic Aviation in October of 2012 and lower principal balance on the term loan debt.

Equity in Earnings and Amortization Charges of Investee

The increase in equity in earnings for the quarter ended September 30, 2013 reflects lower derivative losses and our share of the improved operating results for the quarter ended September 30, 2013 compared with the quarter ended September 30, 2012 from IMTT.

The increase in equity in earnings for the nine months ended September 30, 2013 reflects our share of the derivative gains for the nine months ended September 30, 2013 compared with our share of the derivative losses for the nine months ended September 30, 2012 and our share of the improved operating results from IMTT.

Income Taxes

We file a consolidated federal income tax return that includes the taxable income of Hawaii Gas, Atlantic Aviation and our allocated share of the taxable income from MIC Solar, which is treated as a partnership for tax purposes. IMTT and District Energy file separate federal income tax returns. As we own less than 80% of these businesses, they are not included in our consolidated federal tax return.

For 2013, we expect any federal income tax due to be fully offset by our NOL carryforwards. At December 31, 2012, our federal NOL balance was \$192.2 million. This balance excludes the NOL carryforwards of District Energy (see District Energy *Income Taxes* below), of \$9.8 million at December 31, 2012. We expect to pay a Federal Alternative Minimum Tax of approximately \$201,000 and District Energy to pay a Federal Alternative Minimum Tax of approximately \$114,000 for 2013.

For 2013, we expect our federal and state income taxes to be approximately \$19.3 million, or 40.12% of net income before taxes, of which \$5.3 million relates to state and local income taxes. As discussed below, the provision for state and local income taxes includes a valuation allowance of approximately \$2.6 million for the use of certain state NOL carryforwards. 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.

In calculating our consolidated state income tax provision, we have provided a valuation allowance for certain state income tax NOL carryforwards, the utilization of which is not assured beyond a reasonable doubt. In addition, we expect to incur certain expenses that will not be deductible in determining state taxable income. Accordingly, these expenses have also been excluded in determining our state income tax expense.

We expect our valuation allowance to increase by approximately \$2.9 million in 2013. The increase in valuation allowance in 2012 for state NOLs was \$3.0 million.

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 10, 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 to similar businesses without regard to their capital structure, and to 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, which includes cash paid for interest and taxes, 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 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 September 30, 2013 2012 | | Change Favorable/(Unfavorable) \$ % | | Nine Months Ended September 30, 2013 2012 | | Change Favorable/(Unfavorable) \$ % | |
|------------------------------------------------------------------------|--------------------------------------------------|------------|----------------------------------------------------|------|------------------------------------------------------|------------|----------------------------------------------------|-----|
| | (\$ In Thousands) (Unaudited) | | | | | | | |
| Net income (loss) attributable to MIC LLC ⁽¹⁾ | \$ 10,407 | \$(1,879) | | | \$ 15,430 | \$ 23,351 | | |
| Interest expense, net ⁽²⁾ | 15,728 | 15,034 | | | 31,008 | 38,960 | | |
| Provision (benefit) for income taxes | 5,829 | (1,758) | | | 9,241 | 14,698 | | |
| Depreciation ⁽³⁾ | 10,039 | 7,596 | | | 28,730 | 22,704 | | |
| Depreciation cost of services ⁽³⁾ | 1,620 | 1,685 | | | 5,021 | 5,036 | | |
| Amortization of intangibles ⁽⁴⁾ | 8,618 | 8,800 | | | 25,866 | 25,892 | | |
| Loss from customer contract termination | | | | | 1,626 | | | |
| Loss on extinguishment of debt | | | | | 2,434 | | | |
| (Gain) loss on disposal of assets | | (1,850) | | | 106 | (1,803) | | |
| Equity in earnings and amortization charges of investee ⁽⁵⁾ | 2,570 | | | | (11,302) | | | |
| Base management fees to be settled/settled in LLC interests | 8,336 | 5,844 | | | 23,524 | 15,599 | | |
| Performance fees to be settled/settled in LLC interests | 6,906 | 23,509 | | | 53,388 | 23,509 | | |
| Other non-cash (income) expense, net | (1,340) | 2,695 | | | (1,969) | 5,420 | | |
| EBITDA excluding non-cash items | \$ 68,713 | \$ 59,676 | 9,037 | 15.1 | \$ 183,103 | \$ 173,366 | 9,737 | 5.6 |
| EBITDA excluding non-cash items | \$ 68,713 | \$ 59,676 | | | \$ 183,103 | \$ 173,366 | | |
| Interest expense, net ⁽²⁾ | (15,728) | (15,034) | | | (31,008) | (38,960) | | |
| Interest rate swap breakage fees Hawaii Gas ⁽²⁾ | | (8,701) | | | | (8,701) | | |

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

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

| | | | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------|----------|----------|--------|------|-----------|-----------|---------|-------|
| Interest rate swap breakage fees Atlantic Aviation ⁽²⁾ | | (95) | | | | (595) | | |
| Adjustments to derivative instruments recorded in interest expense ⁽²⁾ | 4,449 | (1,770) | | | 1,160 | (14,384) | | |
| Amortization of debt financing costs ⁽²⁾ | 995 | 1,347 | | | 2,892 | 3,290 | | |
| Cash distributions received in excess of equity in earnings and amortization charges of investee ⁽⁶⁾ | | | | | | 54,625 | | |
| Equipment lease receivables, net | 740 | 885 | | | 2,814 | 2,595 | | |
| Provision/benefit for income taxes, net of changes in deferred taxes | (799) | (1,913) | | | (2,674) | (4,239) | | |
| Changes in working capital | (7,707) | 5,357 | | | (28,527) | (2,414) | | |
| Cash provided by operating activities | 50,663 | 39,752 | | | 127,760 | 164,583 | | |
| Changes in working capital | 7,707 | (5,357) | | | 28,527 | 2,414 | | |
| Maintenance capital expenditures | (3,889) | (5,371) | | | (10,897) | (13,832) | | |
| Free cash flow | \$54,481 | \$29,024 | 25,457 | 87.7 | \$145,390 | \$153,165 | (7,775) | (5.1) |

(1) Net income (loss) attributable to MIC LLC excludes net loss attributable to noncontrolling interests of \$2.2 million and \$1.4 million for the quarter and nine months ended September 30, 2013, respectively, and net income attributable to noncontrolling interests of \$1.8 million and \$2.8 million for the quarter and nine months ended September 30, 2012, respectively.

TABLE OF CONTENTS

Results of Operations: *Consolidated* (continued)

- (2) Interest expense, net, includes adjustment to derivative instruments, non-cash amortization of deferred financing fees and interest rate swap breakage fees at Hawaii Gas and Atlantic Aviation.
- 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 \$5.9 million for the quarters and nine months ended September 30, 2013 and 2012, respectively, in connection with our investment in IMTT, which is reported in equity in earnings and amortization charges of investee in our consolidated condensed statements of operations.
- (3) Amortization of intangibles does not include acquisition-related step-up amortization expense of \$85,000 and \$256,000 for the quarters and nine months ended September 30, 2013 and 2012, respectively, in connection with our investment in IMTT, which is reported in equity in earnings and amortization charges of investee in our consolidated condensed statements of operations.
- (4) Equity in earnings and amortization charges of investee 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 nine months ended September 30, 2013, we recognized equity in earnings and amortization charges of investee income of \$8.6 million and \$30.3 million, respectively, in the consolidated condensed statements of operations, which was offset by the cash distributions received of \$19.0 million during the nine months ended September 30, 2013. For the quarter and nine months ended September 30, 2012, we recognized equity in earnings and amortization charges of investee income of \$7.0 million and \$23.3 million, respectively, in the consolidated condensed statements of operations, which was fully offset by the cash distributions received during nine months ended September 30, 2012.
- (5) 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 investee, since our investment in IMTT, adjusted for the current periods equity in earnings and amortization charges of investee in the calculation from net income (loss) attributable to MIC LLC to EBITDA excluding non-cash items above. The cumulative allocation of the \$128.8 million distributions received during nine months September 30, 2012 was \$77.9 million recorded in net cash provided by operating activities and \$50.9 million recorded in net cash provided by investing activities, as a return on investment, on the consolidated condensed statements of cash flows.
- (6)

IMTT

We account for our 50% interest in IMTT using 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 gross profit increased principally due to increase in tank capacity, revenue from ancillary services and tank storage rates; partially offset by

the planned reduction in tank utilization as a result of tank cleaning and inspection; and

partially insurable casualty losses related to Hurricane Sandy.

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

| | Quarter Ended September 30, | | Change Favorable/(Unfavorable) | | Nine Months Ended September 30, | | Change Favorable/(Unfavorable) | |
|------------------------------------------------------------------|--------------------------------|----------|-----------------------------------|--------|------------------------------------|----------|-----------------------------------|--------|
| | 2013 | 2012 | | | 2013 | 2012 | | |
| | \$ | \$ | \$ | % | \$ | \$ | \$ | % |
| (\$ In Thousands) (Unaudited) | | | | | | | | |
| Revenue | | | | | | | | |
| Terminal revenue | 120,560 | 111,532 | 9,028 | 8.1 | 361,412 | 332,316 | 29,096 | 8.8 |
| Environmental response revenue | 5,887 | 7,069 | (1,182) | (16.7) | 22,341 | 18,052 | 4,289 | 23.8 |
| Total revenue | 126,447 | 118,601 | 7,846 | 6.6 | 383,753 | 350,368 | 33,385 | 9.5 |
| Costs and expenses | | | | | | | | |
| Terminal operating costs | 50,371 | 49,509 | (862) | (1.7) | 145,581 | 141,886 | (3,695) | (2.6) |
| Environmental response operating costs | 5,201 | 5,913 | 712 | 12.0 | 18,661 | 15,515 | (3,146) | (20.3) |
| Total operating costs | 55,572 | 55,422 | (150) | (0.3) | 164,242 | 157,401 | (6,841) | (4.3) |
| Terminal gross profit | 70,189 | 62,023 | 8,166 | 13.2 | 215,831 | 190,430 | 25,401 | 13.3 |
| Environmental response gross profit | 686 | 1,156 | (470) | (40.7) | 3,680 | 2,537 | 1,143 | 45.1 |
| Gross profit | 70,875 | 63,179 | 7,696 | 12.2 | 219,511 | 192,967 | 26,544 | 13.8 |
| General and administrative expenses | 8,084 | 7,605 | (479) | (6.3) | 24,420 | 22,405 | (2,015) | (9.0) |
| Depreciation and amortization | 19,051 | 16,992 | (2,059) | (12.1) | 56,109 | 51,016 | (5,093) | (10.0) |
| Casualty losses, net ⁽¹⁾ | 200 | | (200) | NM | 6,700 | | (6,700) | NM |
| Operating income | 43,540 | 38,582 | 4,958 | 12.9 | 132,282 | 119,546 | 12,736 | 10.7 |
| Interest expense, net ⁽²⁾ | (9,376) | (10,533) | 1,157 | 11.0 | (17,099) | (28,914) | 11,815 | 40.9 |
| Other income | 620 | 417 | 203 | 48.7 | 1,804 | 1,680 | 124 | 7.4 |
| Provision for income taxes | (15,181) | (11,631) | (3,550) | (30.5) | (48,894) | (37,867) | (11,027) | (29.1) |
| Noncontrolling interest | (44) | (451) | 407 | 90.2 | (220) | (636) | 416 | 65.4 |
| Net income | 19,559 | 16,384 | 3,175 | 19.4 | 67,873 | 53,809 | 14,064 | 26.1 |
| Reconciliation of net income to EBITDA excluding non-cash items: | | | | | | | | |
| Net income | 19,559 | 16,384 | | | 67,873 | 53,809 | | |
| Interest expense, net ⁽²⁾ | 9,376 | 10,533 | | | 17,099 | 28,914 | | |
| Provision for income taxes | 15,181 | 11,631 | | | 48,894 | 37,867 | | |
| Depreciation and amortization | 19,051 | 16,992 | | | 56,109 | 51,016 | | |
| Casualty losses, net ⁽¹⁾ | 200 | | | | 6,700 | | | |
| Other non-cash expenses | 253 | 369 | | | 429 | 647 | | |
| EBITDA excluding non-cash items | 63,620 | 55,909 | 7,711 | 13.8 | 197,104 | 172,253 | 24,851 | 14.4 |
| | 63,620 | 55,909 | | | 197,104 | 172,253 | | |

EBITDA excluding
non-cash
items

| | | | | | | | | |
|-----------------------------------------------------------------------------------------|-----------|-----------|-------|------|-----------|-----------|----------|--------|
| Interest expense, net ⁽²⁾ | (9,376) | (10,533) | | | (17,099) | (28,914) | | |
| Adjustments to derivative instruments recorded in interest expense ⁽²⁾ | (1,768) | 461 | | | (15,784) | 98 | | |
| Amortization of debt financing costs ⁽²⁾ | 824 | 805 | | | 1,990 | 2,419 | | |
| Provision for income taxes, net of changes in deferred taxes | (5,624) | (5,962) | | | (13,847) | (14,565) | | |
| Changes in working capital | 9,119 | 5,382 | | | 4,035 | 17,680 | | |
| Cash provided by operating activities | 56,795 | 46,062 | | | 156,399 | 148,971 | | |
| Changes in working capital | (9,119) | (5,382) | | | (4,035) | (17,680) | | |
| Maintenance capital expenditures ⁽³⁾ | (14,514) | (15,303) | | | (60,513) | (30,756) | | |
| Free cash flow | 33,162 | 25,377 | 7,785 | 30.7 | 91,851 | 100,535 | (8,684) | (8.6) |

NM Not meaningful

Casualty losses, net, includes \$2.5 million and \$1.5 million related to the quarters ended December 31, 2012 and (1) March 31, 2013, respectively, which were recorded in terminal operating costs in those periods. These amounts have been included in the nine months ended September 30, 2013.

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

12

TABLE OF CONTENTS

Results of Operations: IMTT (continued)

(3) Maintenance capital expenditures includes a reclassification from growth capital expenditures in the quarters ended December 31, 2012 and March 31, 2013 of \$1.2 million and \$509,000, respectively. These amounts have been included in the nine months ended September 30, 2013. The classification of capital expenditures as either growth or maintenance is the subject of ongoing review and discussions between MIC and its co-investor in IMTT.

Revenue and Gross Profit

Historically, storage rates have generally included the provision of some level of ancillary services. More recently, IMTT's customer contracts have unbundled a number of these services, adding or increasing separate fees for ancillary services. As such, MIC believes that terminal revenue is becoming a more relevant metric for analyzing IMTT's performance than storage rates.

Terminal revenue increased 8.1% and 8.8% for the quarter and nine months ended September 30, 2013 as compared with 8.5% and 7.1% for the quarter and nine months ended September 30, 2012, respectively. While average storage rental rates increased by 2.1% and 5.1% for the quarter and nine months ended September 30, 2013, respectively, as compared with 9.2% and 6.9% for the quarter and nine months ended September 30, 2012, respectively, revenue from ancillary services increased 19.4% and 15.1% for the quarter and nine months ended September 30, 2013, respectively, as compared with 4.7% and 3.2% for the quarter and nine months ended September 30, 2012, respectively. Ancillary services include product transfer (throughout), blending and charges for the use of certain infrastructure.

Average storage capacity increased by 1.1 million barrels and 1.2 million barrels for the quarter and nine months ended September 30, 2013, respectively, as compared with the quarter and nine months ended September 30, 2012 as a result of the completion of various growth capital projects. As expected, capacity utilization declined to 92.9% and 92.8% for the quarter and nine months ended September 30, 2013, respectively, from 93.3% and 94.5% for the quarter and nine months ended September 30, 2012, respectively, due to the timing and increased size of tanks currently out of service for cleaning and inspection and conversion to alternate product services. As of September 30, 2013, two 500,000 barrel tanks at St. Rose were out of service for planned cleaning and inspection. One of those tanks was returned to service in October of 2013.

Terminal operating costs were higher for the quarter and nine months ended September 30, 2013 as compared with the quarter and nine months ended September 30, 2012, primarily due to higher labor costs and increased fuel costs from product heating (which are offset in revenue), partially offset by lower repairs and maintenance costs.

General and Administrative Expense

General and administrative expenses increased for the quarter and nine months ended September 30, 2013 compared with the quarter and nine months ended September 30, 2012 primarily due to higher labor and healthcare costs.

Depreciation and Amortization

Depreciation and amortization expense increased for the quarter and nine months ended September 30, 2013 compared with the quarter and nine months ended September 30, 2012, primarily due to additional capital assets placed in service, resulting in higher asset balances.

Casualty Losses, Net

During the quarter and nine months ended September 30, 2013, casualty losses, net, were recorded as a result of fixed asset write-offs associated with Hurricane Sandy, net of insurance recoveries.

Interest Expense, Net

Interest expense includes losses on derivative instruments of \$2.9 million for the quarter ended September 30, 2013 and gains on derivative instruments of \$2.2 million for the nine months ended September 30, 2013. For the quarter and nine months ended September 30, 2012, interest expense included losses on derivative instruments of \$5.2 million and \$14.3 million, respectively. Excluding the derivative adjustments, interest expense increased primarily due to higher debt balances.

TABLE OF CONTENTS

Results of Operations: *IMTT* (continued)

Cash interest paid totaled \$12.5 million and \$30.6 million for the quarter and nine months ended September 30, 2013, respectively, and \$9.0 million and \$25.7 million for the quarter and nine months ended September 30, 2012, respectively.

Income Taxes

IMTT files a consolidated federal income tax return and state income tax returns in the states in which it operates.

For the year ending December 31, 2013, IMTT expects to pay \$13.0 million of federal income taxes and \$5.6 million of state income taxes. IMTT's actual federal tax liability could be higher or lower depending on the cost and timing of the capital assets placed in service during the year and the extent to which IMTT is able to realize the benefits of bonus depreciation on those assets. The Provision for income taxes, net of changes in deferred taxes of \$13.8 million for the nine months ended September 30, 2013 in the table above, includes \$9.7 million of federal income taxes and \$4.1 million of state income taxes.

For the full year 2012, IMTT recorded \$40.8 million of federal income tax expense and \$10.5 million of state income tax expense. This includes \$13.4 million and \$4.5 million of current federal and state income taxes, respectively. The federal income tax expense exceeded the cash taxes primarily due to the benefit of accelerated tax depreciation, as 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 between 2010 through 2013 did or should qualify for the federal 50% or 100% bonus tax depreciation, except assets placed in service in Louisiana and financed with Gulf Opportunity Zone Bonds (GO Zone Bonds). A significant portion of Louisiana terminalling fixed assets constructed since Hurricane Katrina was financed with 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.

Hawaii Gas

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 Hawaii Gas'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, as determined in accordance with U.S. GAAP. A reconciliation of contribution margin to gross profit is presented in the below 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 Hawaii Gas is not necessarily comparable with metrics of other companies.

Key Factors Affecting Operating Results:

an increase in non-utility contribution margin per therm; partially offset by an increase in mechanical integrity expense and catalyst costs at the SNG plant; and severance costs.

TABLE OF CONTENTS**Results of Operations: *Hawaii Gas* (continued)**

| | Quarter Ended | | Change | | Nine Months Ended | | Change | |
|------------------------------------------------------------------|-------------------------------|---------------|-------------------------|--------|-------------------|---------------|-------------------------|--------|
| | September 30, | September 30, | Favorable/(Unfavorable) | | September 30, | September 30, | Favorable/(Unfavorable) | |
| | 2013 | 2012 | | | 2013 | 2012 | | |
| | \$ | \$ | \$ | % | \$ | \$ | \$ | % |
| | (\$ In Thousands) (Unaudited) | | | | | | | |
| Contribution margin | | | | | | | | |
| Revenue non-utility | 28,488 | 26,894 | 1,594 | 5.9 | 88,993 | 88,271 | 722 | 0.8 |
| Cost of revenue non-utility | 12,838 | 11,393 | (1,445) | (12.7) | 39,525 | 40,520 | 995 | 2.5 |
| Contribution margin non-utility | 15,650 | 15,501 | 149 | 1.0 | 49,468 | 47,751 | 1,717 | 3.6 |
| Revenue utility | 32,981 | 35,535 | (2,554) | (7.2) | 104,095 | 110,656 | (6,561) | (5.9) |
| Cost of revenue utility | 23,534 | 26,202 | 2,668 | 10.2 | 74,914 | 81,568 | 6,654 | 8.2 |
| Contribution margin utility | 9,447 | 9,333 | 114 | 1.2 | 29,181 | 29,088 | 93 | 0.3 |
| Total contribution margin | 25,097 | 24,834 | 263 | 1.1 | 78,649 | 76,839 | 1,810 | 2.4 |
| Production | 2,737 | 2,819 | 82 | 2.9 | 8,119 | 6,952 | (1,167) | (16.8) |
| Transmission and distribution ⁽¹⁾ | 5,121 | 5,339 | 218 | 4.1 | 15,727 | 16,436 | 709 | 4.3 |
| Gross profit | 17,239 | 16,676 | 563 | 3.4 | 54,803 | 53,451 | 1,352 | 2.5 |
| Selling, general and administrative expenses | 4,818 | 4,760 | (58) | (1.2) | 16,139 | 14,575 | (1,564) | (10.7) |
| Depreciation and amortization | 2,160 | 1,965 | (195) | (9.9) | 6,508 | 5,808 | (700) | (12.1) |
| Operating income | 10,261 | 9,951 | 310 | 3.1 | 32,156 | 33,068 | (912) | (2.8) |
| Interest expense, net ⁽²⁾ | (2,097) | (5,695) | 3,598 | 63.2 | (5,040) | (9,102) | 4,062 | 44.6 |
| Other expense | (146) | (153) | 7 | 4.6 | (251) | (285) | 34 | 11.9 |
| Provision for income taxes | (3,191) | (1,631) | (1,560) | (95.6) | (10,669) | (9,343) | (1,326) | (14.2) |
| Net income ⁽³⁾ | 4,827 | 2,472 | 2,355 | 95.3 | 16,196 | 14,338 | 1,858 | 13.0 |
| Reconciliation of net income to EBITDA excluding non-cash items: | | | | | | | | |
| Net income ⁽³⁾ | 4,827 | 2,472 | | | 16,196 | 14,338 | | |
| Interest expense, net ⁽²⁾ | 2,097 | 5,695 | | | 5,040 | 9,102 | | |
| Provision for income taxes | 3,191 | 1,631 | | | 10,669 | 9,343 | | |
| Depreciation and amortization | 2,160 | 1,965 | | | 6,508 | 5,808 | | |
| Other non-cash expenses ⁽¹⁾ | 604 | 869 | | | 1,592 | 2,671 | | |
| EBITDA excluding non-cash items | 12,879 | 12,632 | 247 | 2.0 | 40,005 | 41,262 | (1,257) | (3.0) |
| EBITDA excluding non-cash items | 12,879 | 12,632 | | | 40,005 | 41,262 | | |
| Interest expense, net ⁽²⁾ | (2,097) | (5,695) | | | (5,040) | (9,102) | | |
| Interest rate swap breakage fees ⁽²⁾ | | (8,701) | | | | (8,701) | | |
| | 269 | 4,386 | | | (426) | 3,089 | | |

Adjustments to derivative
instruments recorded in
interest expense⁽²⁾

| | | | | | | | | |
|--------------------------------------------------------------------|----------|----------|-------|----|----------|----------|-------|------|
| Amortization of debt financing costs ⁽²⁾ | 113 | 507 | | | 342 | 746 | | |
| Provision for income taxes, net of changes in deferred taxes | (94) | (1,513) | | | (3,961) | (5,888) | | |
| Changes in working capital | (3,023) | 4,822 | | | (3,810) | 1,117 | | |
| Cash provided by operating activities | 8,047 | 6,438 | | | 27,110 | 22,523 | | |
| Changes in working capital | 3,023 | (4,822) | | | 3,810 | (1,117) | | |
| Maintenance capital expenditures | (1,916) | (2,056) | | | (5,337) | (5,241) | | |
| Free cash flow | 9,154 | (440) | 9,594 | NM | 25,583 | 16,165 | 9,418 | 58.3 |

NM Not meaningful

For the nine months ended September 30, 2013, transmission and distribution includes non-cash income of
(1) \$489,000 for asset retirement obligation credit. This non-cash income is excluded when calculating EBITDA
excluding non-cash items.

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

(3) 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.

15

TABLE OF CONTENTS

Results of Operations: *Hawaii Gas* (continued)

Contribution Margin and Operating Income

Non-utility volume increased by 1.9% for the quarter driven by customer gains partially offset by a significant customer being offline during the quarter ended September 30, 2013. The year to date volume declined by 0.4% due to this significant customer being offline and a reduction in average customer inventory in the first half of 2013 that accompanied the closure of the Tesoro refinery. Changes in average customer inventory were not a factor in the third quarter of 2013. Non-utility contribution margin increased for the quarter and nine months ended September 30, 2013 as the result of margin management.

The volume of gas sold by the utility business increased by 0.1% and 0.3% for the quarter and nine months ended September 30, 2013, respectively, compared with the quarter and nine months ended September 30, 2012. Utility contribution margin remained essentially unchanged for the nine months ended September 30, 2013 compared with the nine months ended September 30, 2012.

In July of 2013, Hawaii Gas and Tesoro Hawaii entered into a new naphtha feedstock agreement for the period from October 1, 2013 through March 31, 2014. On September 26, 2013, Tesoro announced the sale of its interest in Tesoro Hawaii to Par Petroleum Corporation, which assumed the agreement. On September 18, 2013, Hawaii Gas received interim approval from the Hawaii Public Utilities Commission, or HPUC, to pass any change in the cost of feedstock through to customers via its fuel adjustment mechanism and expects to receive a final decision before the end of the year.

The fuel supply situation in Hawaii continues to be unpredictable driven partially by the closure and then restart of the Tesoro refinery under new ownership. The instability in the local supply of LPG has resulted in the need for Hawaii Gas to import a larger percentage of LPG. Hawaii Gas expects that continued instability could cause increased volatility in non-utility contribution margin and exaggerate movements in working capital over the medium term. The business is constructing additional LPG storage facilities that it believes will mitigate a portion of the volatility associated with the fuel supply instability.

Hawaii Gas continues to move forward with initiatives that will allow it to use LNG as a back-up fuel to serve its customers. On August 12, 2013, Hawaii Gas filed an application with the HPUC for approval to use LNG as a back-up to its regulated synthetic natural gas, or SNG, system and expects a decision before the end of the year. Hawaii Gas has equipment and supply arrangements in place and will implement its initiative, subject to approval from the HPUC.

Production, transmission and distribution and selling, general and administrative expenses comprise primarily labor related expenses and professional fees. Collectively, these costs were lower for the quarter ended September 30, 2013 compared with the quarter ended September 30, 2012. The decrease is primarily due to lower costs associated with the LNG initiatives. These costs were higher for the nine months ended September 30, 2013 compared with the nine months ended September 30, 2012 primarily due to severance costs, mechanical integrity expense and catalyst costs at the SNG plant, costs associated with the LNG initiatives, salaries and wages and an increase in marketing and advertising.

Interest Expense, Net

Interest expense includes losses on derivative instruments of \$875,000 and \$1.4 million for the quarter and nine months ended September 30, 2013, respectively, and losses on derivative instruments of \$5.1 million and \$7.3 million for the quarter and nine months ended September 30, 2012, respectively. During the quarter ended September 30, 2012, Hawaii Gas paid \$8.7 million in interest rate swap breakage fees in relation to the refinance of the business long-term debt facilities. Excluding the derivative adjustments and cash paid for interest rate swap breakage fees during 2012, interest expense decreased for the quarter and nine months ended September 30, 2013 compared with the quarter and nine months ended September 30, 2012 due to lower interest rates resulting from refinancing of Hawaii Gas long-term debt that occurred in August of 2012.

TABLE OF CONTENTS

Results of Operations: *Hawaii Gas* (continued)

Cash interest paid totaled \$2.8 million and \$6.2 million for the quarter and nine months ended September 30, 2013, respectively, and \$1.0 million and \$5.5 million excluding cash paid for interest rate swap breakage fees for the quarter and nine months ended September 30, 2012, respectively. The increase in cash interest paid for the comparable periods is attributable to the timing of the interest payments made under the debt facility outstanding prior to the August of 2012 refinancing, compared with the new debt facility outstanding following the completion of the August of 2012 refinancing.

Income Taxes

Income from Hawaii Gas 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 ended December 31, 2013, the business expects to pay state income taxes of approximately \$1.1 million. The Provision for income taxes, net of changes in deferred taxes of \$4.0 million for the nine months ended September 30, 2013 in the above table, includes \$3.3 million of federal income taxes payable to MIC and \$631,000 of state income taxes. 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 50% for 2012 and 2013 in determining state taxable income.

District Energy

Revenue at District Energy is comprised of two charges paid by customers receiving 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 based on 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, rather than the results attributable to our 50.01% interest.

Key Factors Affecting Operating Results:

an early contract termination by a Chicago customer; and
a decrease in consumption revenue in the first half of 2013 driven by cooler average temperatures; partially offset by an increase in capacity revenue from new customers and annual inflation-linked increases in contract capacity rates.

TABLE OF CONTENTS**Results of Operations: *District Energy* (continued)**

| | Quarter Ended | | Change | | Nine Months Ended | | Change | |
|------------------------------------------------------------------|-------------------------------|---------------|---------------|--------|-------------------|---------------|---------------|--------|
| | September 30, | September 30, | Favorable/ | | September 30, | September 30, | Favorable/ | |
| | 2013 | 2012 | (Unfavorable) | | 2013 | 2012 | (Unfavorable) | |
| | \$ | \$ | \$ | % | \$ | \$ | \$ | % |
| | (\$ In Thousands) (Unaudited) | | | | | | | |
| Cooling capacity revenue | 5,780 | 5,613 | 167 | 3.0 | 17,197 | 16,675 | 522 | 3.1 |
| Cooling consumption revenue | 9,114 | 10,490 | (1,376) | (13.1) | 16,282 | 20,853 | (4,571) | (21.9) |
| Other revenue | 692 | 702 | (10) | (1.4) | 2,139 | 2,023 | 116 | 5.7 |
| Finance lease revenue | 817 | 1,119 | (302) | (27.0) | 2,779 | 3,448 | (669) | (19.4) |
| Total revenue | 16,403 | 17,924 | (1,521) | (8.5) | 38,397 | 42,999 | (4,602) | (10.7) |
| Direct expenses electricity | 5,733 | 5,901 | 168 | 2.8 | 10,360 | 12,587 | 2,227 | 17.7 |
| Direct expenses other ⁽¹⁾ | 4,787 | 5,237 | 450 | 8.6 | 14,821 | 14,866 | 45 | 0.3 |
| Direct expenses total | 10,520 | 11,138 | 618 | 5.5 | 25,181 | 27,453 | 2,272 | 8.3 |
| Gross profit | 5,883 | 6,786 | (903) | (13.3) | 13,216 | 15,546 | (2,330) | (15.0) |
| Selling, general and administrative expenses | 935 | 823 | (112) | (13.6) | 2,698 | 2,675 | (23) | (0.9) |
| Amortization of intangibles | 329 | 345 | 16 | 4.6 | 997 | 1,027 | 30 | 2.9 |
| Loss from customer contract termination | | | | | 1,626 | | (1,626) | NM |
| Operating income | 4,619 | 5,618 | (999) | (17.8) | 7,895 | 11,844 | (3,949) | (33.3) |
| Interest expense, net ⁽²⁾ | (1,275) | (2,065) | 790 | 38.3 | (3,793) | (6,521) | 2,728 | 41.8 |
| Other income | 672 | 436 | 236 | 54.1 | 803 | 568 | 235 | 41.4 |
| Provision for income taxes | (1,584) | (1,560) | (24) | (1.5) | (1,797) | (2,171) | 374 | 17.2 |
| Noncontrolling interest | (174) | (203) | 29 | 14.3 | (545) | (622) | 77 | 12.4 |
| Net income | 2,258 | 2,226 | 32 | 1.4 | 2,563 | 3,098 | (535) | (17.3) |
| Reconciliation of net income to EBITDA excluding non-cash items: | | | | | | | | |
| Net income | 2,258 | 2,226 | | | 2,563 | 3,098 | | |
| Interest expense, net ⁽²⁾ | 1,275 | 2,065 | | | 3,793 | 6,521 | | |
| Provision for income taxes | 1,584 | 1,560 | | | 1,797 | 2,171 | | |
| Depreciation ⁽¹⁾ | 1,620 | 1,685 | | | 5,021 | 5,036 | | |
| Amortization of intangibles | 329 | 345 | | | 997 | 1,027 | | |
| Loss from customer contract termination | | | | | 1,626 | | | |
| Other non-cash expenses | 205 | 156 | | | 413 | 425 | | |
| EBITDA excluding non-cash items | 7,271 | 8,037 | (766) | (9.5) | 16,210 | 18,278 | (2,068) | (11.3) |
| EBITDA excluding non-cash items | 7,271 | 8,037 | | | 16,210 | 18,278 | | |
| Interest expense, net ⁽²⁾ | (1,275) | (2,065) | | | (3,793) | (6,521) | | |

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

| | | | | | | | | |
|-----------------------------------------------------------------------------------|----------|--------|--------|--------|----------|----------|---------|--------|
| Adjustments to derivative instruments recorded in interest expense ⁽²⁾ | (1,371) | (589) | | | (4,018) | (1,458) | | |
| Amortization of debt financing costs ⁽²⁾ | 177 | 177 | | | 531 | 522 | | |
| Equipment lease receivable, net | 740 | 885 | | | 2,814 | 2,595 | | |
| Provision for income taxes, net of changes in deferred taxes | (529) | (619) | | | (805) | (892) | | |
| Changes in working capital | (192) | 419 | | | (2,379) | (1,453) | | |
| Cash provided by operating activities | 4,821 | 6,245 | | | 8,560 | 11,071 | | |
| Changes in working capital | 192 | (419) | | | 2,379 | 1,453 | | |
| Maintenance capital expenditures | (63) | (478) | | | (312) | (642) | | |
| Free cash flow | 4,950 | 5,348 | (398) | (7.4) | 10,627 | 11,882 | (1,255) | (10.6) |

NM Not meaningful

Includes depreciation expense of \$1.6 million and \$5.0 million for the quarter and nine months ended September (1)30, 2013, respectively, and \$1.7 million and \$5.0 million for the quarter and nine months ended September 30, 2012, respectively.

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

TABLE OF CONTENTS

Results of Operations: *District Energy* (continued)

Gross Profit

Gross profit decreased for the quarter and nine months ended September 30, 2013 compared with the quarter and nine months ended September 30, 2012 primarily as a result of cooler average temperatures for the first half of 2013 and an early customer contract termination, together which resulted in lower consumption revenue. See loss from customer contract termination below.

Conversely, cooling capacity revenue increased with new customers and annual inflation-related increases in contract capacity rates in accordance with customer contract terms.

Selling, General and Administrative Expense

Selling, general and administrative expenses increased for the quarter and nine months ended September 30, 2013 compared with quarter and nine months ended September 30, 2012. The business has incurred higher than normal legal costs for ongoing efforts to recover the unamortized lease principal from the customer contract termination. Legal fees for the quarter ended September 30, 2013 were lower than the quarter ended September 30, 2012, but legal fees for the nine months ended September 30, 2013 were higher than legal fees for the nine months ended September 30, 2012.

Loss From Customer Contract Termination

Effective April 30, 2013, the business no longer provides site specific cooling and heating services to a customer outside downtown Chicago for which revenue, fees and lease payments were being received. The loss of this customer has reduced the business cash from operations. The business is continuing its efforts to recover the unamortized lease principal of approximately \$8.5 million. Mediation of the dispute is scheduled to occur later in the year.

Interest Expense, Net

Interest expense includes losses on derivative instruments of \$469,000 and \$1.4 million for the quarter and nine months ended September 30, 2013, respectively, and losses on derivative instruments of \$1.2 million and \$3.8 million for the quarter and nine months ended September 30, 2012, respectively. Excluding the derivative adjustments, interest expense decreased for the quarter and nine months ended September 30, 2013 compared with the quarter and nine months ended September 30, 2012 due to lower debt balances.

Cash interest paid totaled \$2.5 million and \$7.3 million for the quarter and nine months ended September 30, 2013, respectively, and \$2.5 million and \$7.5 million for the quarter and nine months ended September 30, 2012, respectively.

Income Taxes

District Energy files a separate federal income tax return and a separate Illinois state income tax return. As of December 31, 2012, the business had approximately \$9.8 million in federal NOL carryforwards available to offset taxable income and \$23.3 million in Illinois state NOL carryforwards, for which utilization is deferred until 2015. For 2013, District Energy expects to pay a Federal Alternative Minimum Tax of approximately \$114,000 and state income taxes of approximately \$600,000. The Provision for income taxes, net of changes in deferred taxes of \$805,000 for the

nine months ended September 30, 2013 in the above table, includes \$129,000 of federal income taxes and \$676,000 of state income taxes. The business does not expect to pay regular federal income taxes in 2013 due to the utilization of NOL carryforwards.

The business' federal taxable income differs from book income primarily as a result of differences in the depreciation of fixed assets. The state of Illinois does not allow the federal bonus depreciation deduction of 50% for 2012 and 2013 in determining state taxable income.

Atlantic Aviation

Key Factors Affecting Operating Results:

lower cash interest expense driven by lower average cost of debt and reduced debt levels;
higher fuel gross profit primarily due to higher margin per gallon; and
higher rental and de-icing revenue.

TABLE OF CONTENTS**Results of Operations: *Atlantic Aviation* (continued)**

| | Quarter Ended September 30, | | Change Favorable/(Unfavorable) | | Nine Months Ended September 30, | | Change Favorable/(Unfavorable) | |
|------------------------------------------------------------------|--------------------------------|----------|-----------------------------------|---------|------------------------------------|-----------|-----------------------------------|---------|
| | 2013 | 2012 | | | 2013 | 2012 | | |
| | \$ | \$ | \$ | % | \$ | \$ | \$ | % |
| | (\$ In Thousands) (Unaudited) | | | | | | | |
| Revenue | | | | | | | | |
| Fuel revenue | 141,032 | 139,491 | 1,541 | 1.1 | 417,305 | 420,197 | (2,892) | (0.7) |
| Non-fuel revenue | 42,166 | 39,409 | 2,757 | 7.0 | 124,535 | 120,502 | 4,033 | 3.3 |
| Total revenue | 183,198 | 178,900 | 4,298 | 2.4 | 541,840 | 540,699 | 1,141 | 0.2 |
| Cost of revenue | | | | | | | | |
| Cost of revenue fuel | 97,050 | 96,925 | (125) | (0.1) | 289,873 | 295,800 | 5,927 | 2.0 |
| Cost of revenue non-fuel | 3,503 | 3,906 | 403 | 10.3 | 11,849 | 14,036 | 2,187 | 15.6 |
| Total cost of revenue | 100,553 | 100,831 | 278 | 0.3 | 301,722 | 309,836 | 8,114 | 2.6 |
| Fuel gross profit | 43,982 | 42,566 | 1,416 | 3.3 | 127,432 | 124,397 | 3,035 | 2.4 |
| Non-fuel gross profit | 38,663 | 35,503 | 3,160 | 8.9 | 112,686 | 106,466 | 6,220 | 5.8 |
| Gross profit | 82,645 | 78,069 | 4,576 | 5.9 | 240,118 | 230,863 | 9,255 | 4.0 |
| Selling, general and administrative expenses | 44,342 | 43,983 | (359) | (0.8) | 130,729 | 130,830 | 101 | 0.1 |
| Depreciation and amortization | 14,072 | 14,086 | 14 | 0.1 | 41,917 | 41,761 | (156) | (0.4) |
| Loss (gain) on disposal of assets | 50 | (1,706) | (1,756) | (102.9) | 226 | (1,379) | (1,605) | (116.4) |
| Operating income | 24,181 | 21,706 | 2,475 | 11.4 | 67,246 | 59,651 | 7,595 | 12.7 |
| Interest expense, net ⁽¹⁾ | (11,481) | (7,381) | (4,100) | (55.5) | (20,206) | (23,448) | 3,242 | 13.8 |
| Loss on extinguishment of debt | | | | | (2,472) | | (2,472) | NM |
| Other income (expense) | 54 | (10) | 64 | NM | 54 | 38 | 16 | 42.1 |
| Provision for income taxes | (5,185) | (6,531) | 1,346 | 20.6 | (18,009) | (15,815) | (2,194) | (13.9) |
| Net income ⁽²⁾ | 7,569 | 7,784 | (215) | (2.8) | 26,613 | 20,426 | 6,187 | 30.3 |
| Reconciliation of net income to EBITDA excluding non-cash items: | | | | | | | | |
| Net income ⁽²⁾ | 7,569 | 7,784 | | | 26,613 | 20,426 | | |
| Interest expense, net ⁽¹⁾ | 11,481 | 7,381 | | | 20,206 | 23,448 | | |
| Provision for income taxes | 5,185 | 6,531 | | | 18,009 | 15,815 | | |
| Depreciation and amortization | 14,072 | 14,086 | | | 41,917 | 41,761 | | |
| Loss on extinguishment of debt | | | | | 2,434 | | | |
| (Gain) loss on disposal of assets | | (1,850) | | | 106 | (1,803) | | |
| Other non-cash income | (1) | (39) | | | (116) | (268) | | |
| EBITDA excluding non-cash items | 38,306 | 33,893 | 4,413 | 13.0 | 109,169 | 99,379 | 9,790 | 9.9 |

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

| | | | | | | | | |
|-----------------------------------------------------------------------------------|-----------|----------|--------|------|-----------|-----------|--------|------|
| EBITDA excluding non-cash items | 38,306 | 33,893 | | | 109,169 | 99,379 | | |
| Interest expense, net ⁽¹⁾ | (11,481) | (7,381) | | | (20,206) | (23,448) | | |
| Interest rate swap breakage fees ⁽¹⁾ | | (95) | | | | (595) | | |
| Adjustments to derivative instruments recorded in interest expense ⁽¹⁾ | 5,551 | (5,567) | | | 5,604 | (16,015) | | |
| Amortization of debt financing costs ⁽¹⁾ | 702 | 663 | | | 2,011 | 2,022 | | |
| Provision for income taxes, net of changes in deferred taxes | (394) | (997) | | | (5,569) | (1,972) | | |
| Changes in working capital | (3,609) | 1,904 | | | 1,284 | 2,549 | | |
| Cash provided by operating activities | 29,075 | 22,420 | | | 92,293 | 61,920 | | |
| Changes in working capital | 3,609 | (1,904) | | | (1,284) | (2,549) | | |
| Maintenance capital expenditures | (1,910) | (2,837) | | | (5,248) | (7,949) | | |
| Free cash flow | 30,774 | 17,679 | 13,095 | 74.1 | 85,761 | 51,422 | 34,339 | 66.8 |

NM Not meaningful

(1) Interest expense, net, includes adjustments to 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.

20

TABLE OF CONTENTS

Results of Operations: *Atlantic Aviation* (continued)

Revenue and Gross Profit

The majority of the revenue and gross profit earned by Atlantic Aviation is generated through fueling GA aircraft at facilities located at 62 U.S. airports at which Atlantic Aviation operates. Revenue is categorized according to who owns the fuel used to service these aircraft. If Atlantic Aviation 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.

Generally, fluctuations in the cost of fuel are passed 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 the dollar-based margin/fee per gallon on those sales. This applies to revenue and gross profit generated through both fuel and into-plane sales. Purchases of fuel by individual customers may be from Atlantic Aviation directly, another party or both in a given period.

The increase in gross profit for the quarter and nine months ended September 30, 2013 compared with the quarter and nine months ended September 30, 2012 was the result of increased fuel gross profit along with increased rental revenue and de-icing gross profit. Rental revenue increased by 6.1% and 5.8% for the quarter and nine months ended September 30, 2013, respectively, as compared with the quarter and nine months ended September 30, 2012. De-icing gross profit increased by 90.0% for the nine months ended September 30, 2013 compared with the nine months ended September 30, 2012. GA related-fuel gross profit increased by 4.2% and 3.3% over the same comparable periods.

On a same store basis, total gross profit increased by 6.3% and 5.0% for the quarter and nine months ended September 30, 2013, respectively. On a same store basis, the volume of GA fuel sold increased by 3.5% and 3.2% for the quarter and nine months ended September 30, 2013, respectively. GA average fuel margin increased 1.2% and 1.4% for the same periods, respectively.

Atlantic Aviation seeks to extend FBO leases prior to their maturity and to increase the portfolio's weighted average lease life. The weighted average lease life was 18.3 years at September 30, 2013 compared with 18.4 years at September 30, 2012.

Interest Expense, Net

Interest expense includes losses on derivative instruments of \$6.7 million for the quarter and nine months ended September 30, 2013 and losses on derivative instruments of \$2.8 million and \$9.0 million for the quarter and nine months ended September 30, 2012, respectively. Excluding the derivative adjustments, interest expense was lower for the quarter and nine months ended September 30, 2013 compared with the quarter and nine months ended September 30, 2012 due to the expiration of interest rate swaps in October of 2012 and a lower principal balance on the business term loan.

Excluding interest rate swap breakage fees, cash interest paid was \$5.4 million and \$12.7 million for the quarter and nine months ended September 30, 2013, respectively, and \$12.2 million and \$37.3 million for the quarter and nine

months ended September 30, 2012, 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.

21

TABLE OF CONTENTS

Results of Operations: *Atlantic Aviation* (continued)

At December 31, 2012, Atlantic Aviation had \$37.0 million of state NOL carryforwards. 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 \$37.0 million.

For 2013, the business expects to pay state income taxes of approximately \$2.1 million. The Provision for income taxes, net of changes in deferred taxes of \$5.6 million for the nine months ended September 30, 2013 in the above table, includes \$4.1 million of federal income taxes payable to MIC and \$1.5 million of state income taxes. Any current federal income tax liability is expected to be offset in consolidation by the application of NOLs.

MIC Solar

As of October 8, 2013, MIC Solar has invested in five solar photovoltaic (solar PV) power generation facilities that are expected to have an aggregate generating capacity of 57 megawatts. The facilities are located in the southwest United States, two in Arizona, one in Texas and two in California.

Solar PV technologies utilize arrays of solar panels often spanning hundreds of acres to convert energy from sunlight into electricity. The electricity is fed directly into the regional electric grid. These technologies are expected to produce predictable amounts of electricity.

MIC Solar sells the electricity generated by its facilities at a fixed price to local electric utilities pursuant to long-term (20-25 years) power purchase agreements (PPAs). Accordingly, revenue is predictable over the term of the PPA. The PPAs have volume based charges, some of which have fixed or CPI-linked escalators.

Following construction, the primary ongoing business expense is the operations and maintenance cost (O&M) of the facility. MIC Solar has entered into long-term, fixed annual cost O&M contracts with various service providers. Accordingly, its operating costs are predictable as well. We believe that the combination of predictable revenue stream from credit-worthy off-takers and largely known operating costs provides the business with good visibility into the cash generating capacity of its investments.

MIC Solar owns each project in a common LLC structure with a co-investor who can value the tax benefits of solar projects. The co-investor receives tax benefits disproportionate to its investment during the early years of the investment and typically contributes significantly more capital at acquisition than MIC Solar. MIC Solar receives cash distributions disproportionate to its investment.

For a description of the MIC Solar business, see Business MIC Solar Energy Holdings in Part I, Item 1 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

The financial results discussed below reflect 100% of the MIC Solar business. As of October 28, 2013, two projects totaling 30 megawatts are fully operational and three projects totaling 27 megawatts are in construction. The projects under construction are expected to be operational before the end of the first quarter of 2014. The discussion below does not include the results of operations of MIC Solar for the quarter and nine months ended September 30, 2012 as MIC Solar did not exist during such periods.

TABLE OF CONTENTS**Results of Operations: *MIC Solar* (continued)****Key Factors Affecting Operating Results:**

30 megawatts currently in operations and generating as expected; and
acquisition-related costs for three projects under construction.

| | Quarter Ended September 30, 2013 \$ | Nine Months Ended September 30, 2013 \$ |
|------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------|
| (\$ In Thousands) (Unaudited) | | |
| Contracted revenue | 2,649 | 7,167 |
| Cost of revenue | 396 | 1,058 |
| Gross profit | 2,253 | 6,109 |
| Selling, general and administrative expenses | 2,296 | 2,875 |
| Depreciation | 2,096 | 5,174 |
| Operating loss | (2,139) | (1,940) |
| Interest expense, net ⁽¹⁾ | (897) | (2,121) |
| Other income, net | 248 | 2,353 |
| Benefit (provision) for income taxes | 27 | (1,175) |
| Noncontrolling interest | 4,010 | 4,125 |
| Net income | 1,249 | 1,242 |
| Reconciliation of net income to EBITDA excluding non-cash items: | | |
| Net income | 1,249 | 1,242 |
| Interest expense, net ⁽¹⁾ | 897 | 2,121 |
| (Benefit) provision for income taxes | (27) | 1,175 |
| Depreciation | 2,096 | 5,174 |
| Other non-cash income | (4,010) | (6,555) |
| EBITDA excluding non-cash items | 205 | 3,157 |
| EBITDA excluding non-cash items | 205 | 3,157 |
| Interest expense, net ⁽¹⁾ | (897) | (2,121) |
| Amortization of debt financing costs ⁽¹⁾ | 3 | 8 |
| Changes in working capital | (1,256) | (15,954) |
| Cash used in operating activities | (1,945) | (14,910) |
| Changes in working capital | 1,256 | 15,954 |
| Free cash flow | (689) | 1,044 |

(1) Interest expense, net, includes non-cash amortization of deferred financing fees.

Gross Profit

MIC Solar generated gross profit in-line with expectations with respect to both revenues from PPAs and O&M expenses.

Selling, General and Administrative Expense

Selling, general, and administrative expenses are comprised primarily of acquisition-related fees, professional fees, and insurance expense. Selling, general and administrative expenses for the quarter and nine months ended September 30, 2013 include acquisition-related expenses of \$2.0 million and \$2.1 million, respectively, that could not be capitalized, primarily for the three projects under construction.

Interest Expense, Net

Cash interest paid was \$1.3 million and \$1.9 million for the quarter and nine months ended September 30, 2013, respectively.

TABLE OF CONTENTS**Results of Operations: *MIC Solar* (continued)****Income Taxes**

The five projects that comprise MIC Solar are, or will upon substantial completion, be held in LLCs, treated as partnerships for income tax purposes, with a co-investor. Each project's taxable income for the first five years is expected to be a loss due to accelerated depreciation, with 99% of the taxable loss, subject to certain adjustments that are not expected to be significant, allocated to the co-investor. Accordingly, these projects should have a nominal effect on MIC's consolidated current taxable income for at least the first five years of each project.

The projects do not pay federal or state income taxes on a standalone basis, as the projects are treated as a partnership for tax purposes, with each member paying federal and state income taxes based on their allocated taxable income.

For 2013, MIC expects its allocated share of the taxable income from the two investments currently in operations to be a loss of approximately \$461,000. MIC's allocated share of the taxable income from the projects under construction are expected to be nominal.

Corporate & Other

The financial results below reflect Corporate and Other's performance during the periods below.

| | Quarter Ended September 30, | | Change | | Nine Months Ended September 30, | | Change | |
|----------------------------------------------------------------|--------------------------------|----------|-------------------------|---------|------------------------------------|----------|-------------------------|----------|
| | 2013 | 2012 | Favorable/(Unfavorable) | | 2013 | 2012 | Favorable/(Unfavorable) | |
| | \$ | \$ | \$ | % | \$ | \$ | \$ | % |
| | (\$ In Thousands) (Unaudited) | | | | | | | |
| Base management fees | 8,336 | 5,844 | (2,492) | (42.6) | 23,524 | 15,599 | (7,925) | (50.8) |
| Performance fees | 6,906 | 23,509 | 16,603 | 70.6 | 53,388 | 23,509 | (29,879) | (127.1) |
| Selling, general and administrative expenses | 1,278 | 2,005 | 727 | 36.3 | 4,987 | 9,221 | 4,234 | 45.9 |
| Operating loss | (16,520) | (31,358) | 14,838 | 47.3 | (81,899) | (48,329) | (33,570) | (69.5) |
| Interest income | 22 | 107 | (85) | (79.4) | 152 | 111 | 41 | 36.9 |
| Other expense, net | | (23) | 23 | 100.0 | (16) | (75) | 59 | 78.7 |
| Benefit for income taxes | 4,104 | 11,480 | (7,376) | (64.3) | 22,409 | 12,631 | 9,778 | 77.4 |
| Noncontrolling interest | (1,678) | (1,556) | (122) | (7.8) | (2,157) | (2,144) | (13) | (0.6) |
| Net loss ⁽¹⁾ | (14,072) | (21,350) | 7,278 | 34.1 | (61,511) | (37,806) | (23,705) | (62.7) |
| Reconciliation of net loss to EBITDA excluding non-cash items: | | | | | | | | |
| Net loss ⁽¹⁾ | (14,072) | (21,350) | | | (61,511) | (37,806) | | |
| Interest income | (22) | (107) | | | (152) | (111) | | |
| Benefit for income taxes | (4,104) | (11,480) | | | (22,409) | (12,631) | | |
| Base management fees to be settled/settled in LLC interests | 8,336 | 5,844 | | | 23,524 | 15,599 | | |
| | 6,906 | 23,509 | | | 53,388 | 23,509 | | |

Performance fees to be
settled/settled in LLC
interests

| | | | | | | | | |
|------------------------------------------------------------------|----------|----------|--------|---------|----------|----------|-------|-------|
| Other non-cash expense | 1,862 | 1,709 | | | 2,697 | 2,592 | | |
| EBITDA excluding non-cash items | (1,094) | (1,875) | 781 | 41.7 | (4,463) | (8,848) | 4,385 | 49.6 |
| EBITDA excluding non-cash items | (1,094) | (1,875) | | | (4,463) | (8,848) | | |
| Interest income | 22 | 107 | | | 152 | 111 | | |
| Benefit for income taxes, net of changes in deferred taxes | 218 | 1,216 | | | 7,661 | 4,513 | | |
| Changes in working capital | 373 | (1,788) | | | (7,668) | (4,627) | | |
| Cash used in operating activities | (481) | (2,340) | | | (4,318) | (8,851) | | |
| Changes in working capital | (373) | 1,788 | | | 7,668 | 4,627 | | |
| Free cash flow | (854) | (552) | (302) | (54.7) | 3,350 | (4,224) | 7,574 | 179.3 |

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

24

TABLE OF CONTENTS**Summary of Our Proportionately Combined Results**

We believe that our proportionately combined metrics, including proportionately combined gross profit, proportionately combined EBITDA excluding non-cash items, proportionately combined cash interest, proportionately combined cash taxes, proportionately combined maintenance capital expenditures, proportionately combined Free Cash Flow, proportionately combined Free Cash Flow per share, proportionately combined growth capital expenditures, and proportionately combined net debt, provide our investors and management with additional insight into the financial results and cash generated as a result of our varied ownership interests in our businesses and investments. Given the nature of the businesses we own and our varied ownership levels of these businesses, management believes that GAAP measures such as net income and cash from operating activities do not fully reflect all of the items that our management considers in assessing the amount of cash generated by our ownership interest in our businesses and investments.

We note that proportionately combined metrics used by us may be calculated in a different manner by other companies, which may limit their usefulness as a comparative measure. Therefore, our proportionately combined metrics should be used as a supplement to, and not in lieu of, of our financial results reported under GAAP.

Our proportionately combined financial measures are those attributable to MIC's ownership interest in each of our operating businesses and MIC Corporate. The following tables represent our proportionately combined share of gross profit, EBITDA excluding non-cash items and Free Cash Flow. The gross profit, EBITDA excluding non-cash items and Free Cash Flow are derived from the Results of Operations of our investments and businesses described above.

See Results of Operations for each of our businesses and Corporate and Other segment to see a reconciliation of EBITDA excluding non-cash to net income (loss), its closest comparable GAAP measure, and see reconciliation of Free Cash Flow to cash provided by (used in) operating activities, its closest comparable GAAP measure.

For the Quarter Ended September 30, 2013

| (\$ in Thousands) (Unaudited) | IMTT 50% | Hawaii Gas | District Energy 50.01% | Atlantic Aviation | MIC Solar ⁽²⁾ | MIC Corporate | Propor- tionately Combined ⁽¹⁾ | IMTT 100% | District Energy 100% | MIC Solar 100% |
|---------------------------------------|-------------|---------------|------------------------------|----------------------|-----------------------------|------------------|-------------------------------------------------|--------------|----------------------------|----------------------|
| Gross profit | 35,438 | 17,239 | 2,942 | 82,645 | 1,488 | N/A | 139,752 | 70,875 | 5,883 | 2,253 |
| EBITDA excluding non-cash items | 31,810 | 12,879 | 3,636 | 38,306 | (470) | (1,094) | 85,067 | 63,620 | 7,271 | 205 |
| Free cash flow | 16,581 | 9,154 | 2,475 | 30,774 | (1,083) | (854) | 57,047 | 33,162 | 4,950 | (689) |

For the Quarter Ended September 30, 2012

| (\$ in Thousands) (Unaudited) | IMTT 50% | Hawaii Gas | District Energy 50.01% | Atlantic Aviation | MIC Solar | MIC Corporate | Propor- tionately Combined ⁽¹⁾ | IMTT 100% | District Energy 100% | MIC Solar 100% |
|---------------------------------------|-------------|---------------|------------------------------|----------------------|--------------|------------------|-------------------------------------------------|--------------|----------------------------|----------------------|
| Gross profit | 31,590 | 16,676 | 3,394 | 78,069 | N/A | N/A | 129,728 | 63,179 | 6,786 | N/A |
| EBITDA excluding non-cash items | 27,955 | 12,632 | 4,019 | 33,893 | N/A | (1,875) | 76,624 | 55,909 | 8,037 | N/A |
| Free cash flow | 12,689 | (440) | 2,675 | 17,679 | N/A | (552) | 32,050 | 25,377 | 5,348 | N/A |

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

For the Nine Months Ended September 30, 2013

| (\$ in Thousands) (Unaudited) | IMTT 50% | Hawaii Gas | District Energy 50.01% | Atlantic Aviation | MIC Solar ⁽²⁾ | MIC Corporate | Propor- tionately Combined ⁽¹⁾ | IMTT 100% | District Energy 100% | MIC Solar 100% |
|----------------------------------|-------------|---------------|------------------------------|----------------------|-----------------------------|------------------|-------------------------------------------------|--------------|----------------------------|----------------------|
| Gross profit | 109,756 | 54,803 | 6,609 | 240,118 | 3,864 | N/A | 415,150 | 219,511 | 13,216 | 6,109 |
| EBITDA | | | | | | | | | | |
| excluding | 98,552 | 40,005 | 8,107 | 109,169 | 1,065 | (4,463) | 252,435 | 197,104 | 16,210 | 3,157 |
| non-cash items | | | | | | | | | | |
| Free cash flow | 45,926 | 25,583 | 5,315 | 85,761 | (263) | 3,350 | 165,671 | 91,851 | 10,627 | 1,044 |

TABLE OF CONTENTS**Summary of Our Proportionately Combined Results (continued)**

For the Nine Months Ended September 30, 2012

| (\$ in Thousands) (Unaudited) | IMTT 50% | Hawaii Gas | District Energy 50.01% | Atlantic Aviation | MIC Solar | MIC Corporate | Proportionately Combined ⁽¹⁾ | IMTT 100% | District Energy 100% | MIC Solar 100% |
|----------------------------------|-------------|---------------|------------------------------|----------------------|--------------|------------------|--------------------------------------------|--------------|----------------------------|----------------------|
| Gross profit | 96,484 | 53,451 | 7,775 | 230,863 | N/A | N/A | 388,572 | 192,967 | 15,546 | N/A |
| EBITDA | | | | | | | | | | |
| excluding | 86,127 | 41,262 | 9,141 | 99,379 | N/A | (8,848) | 227,060 | 172,253 | 18,278 | N/A |
| non-cash items | | | | | | | | | | |
| Free cash flow | 50,268 | 16,165 | 5,942 | 51,422 | N/A | (4,224) | 119,573 | 100,535 | 11,882 | N/A |

N/A Not applicable.

- (1) Proportionately combined free cash flow is equal to the sum of free cash flow attributable to MIC's ownership interest in each of its operating businesses and MIC Corporate.
- (2) Proportionately combined free cash flow for MIC Solar is equal to the sum of free cash flow attributable to MIC Solar's ownership interest in each of its operating projects.

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 draw on credit facilities for capital expenditures, issue additional LLC Interests or sell assets to generate cash.

As described above, in May of 2013 we completed an underwritten public offering and sale of 3,889,875 LLC Interests and Atlantic Aviation entered into new term loan and revolving credit facilities. Net proceeds of the equity offering of approximately \$217.8 million, along with cash on hand and proceeds of the new Atlantic Aviation term loan facility were used to fully repay the outstanding balance on the long-term debt previously in place at Atlantic Aviation.

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 distributions to MIC. We base our assessment of the sufficiency of the 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 capital expenditures associated with our businesses are readily funded from their respective operating cash flow or available debt 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.

Historically, we have capitalized our businesses in large part using project-finance style debt. Project-finance style debt is generally limited-recourse, floating rate, non-amortizing bank debt with a medium term maturity of between five and seven years. Typically, we have sought to ensure that the debt at each business was non-recourse to MIC and

that there was no cross-collateralization or cross-guarantees of any debt between our businesses.

More recently, given the openness of the debt markets generally, we have also used slightly longer dated private placement debt as a component of the capital structure of our businesses. For example, in August of 2012, we included \$100.0 million of 10-year non-amortizing senior secured notes in the capital structure of Hawaii Gas in connection with the refinancing of its long-term debt.

We may in the future consider other forms of capital, including bank, bond or hybrid debt instruments as a means of financing our businesses.

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

At September 30, 2013, we had no debt at the MIC holding company level. We may in the future consider borrowing money at the MIC holding company level in circumstances where the cost of capitalizing our businesses, collectively, or the terms and covenants available could be improved as a result. Our use of debt instruments at the holding company level or otherwise depends on multiple factors including but not limited to: the condition of the debt capital markets; the operating performance of our businesses and investments; the near and long term capital needs of our businesses; our ability to stagger debt maturities across our portfolio; and, where applicable, our express or implied debt ratings.

Our financing strategy involves ensuring that we and our businesses maintain appropriate liquidity and access to capital markets, managing our net exposure to floating interest rate volatility, and maintaining a balanced spectrum of debt maturities. Within these parameters, we seek to optimize our borrowing costs and the terms and covenants of our debt facilities.

Analysis of Consolidated Historical Cash Flows from Operations

| (\$ In Thousands) | Nine Months Ended September 30, | | Change Favorable/ (Unfavorable) | |
|-------------------------------------------------|------------------------------------|-----------|------------------------------------|---------|
| | 2013 | 2012 | \$ | % |
| Cash provided by operating activities | 127,760 | 164,583 | (36,823) | (22.4) |
| Cash (used in) provided by investing activities | (66,037) | 31,153 | (97,190) | NM |
| Cash used in financing activities | (120,056) | (67,725) | (52,331) | (77.3) |

NM Not meaningful

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 and performance fees to the extent paid in cash, professional fees and costs associated with being a public company.

The decrease in consolidated cash provided by operating activities for the nine months ended September 30, 2013 compared with the nine months ended September 30, 2012 was primarily due to:

larger cash distribution received from IMTT during the nine months ended September 30, 2012; and working capital requirements for vendor payments at MIC Solar; partially offset by lower cash interest paid due to the expiration of interest rate swaps in October of 2012, lower principal balances on the term loan debt and improved results at Atlantic Aviation; interest rate swap breakage fees of \$8.7 million paid at Hawaii Gas during the quarter ended September 30, 2012 in connection with the refinance of the business long-term debt facilities; and decreased legal and professional fees incurred at the holding company level.

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.

Investing Activities

The change in consolidated cash used in investing activities for the nine months ended September 30, 2013 compared with cash provided by investing activities for the nine months ended September 30, 2012 was primarily due to:

distribution received from IMTT in June of 2012 being classified as a return of investment;

27

TABLE OF CONTENTS

Liquidity and Capital Resources: *Consolidated* (continued)

increase in capital expenditures primarily made by MIC Solar, Hawaii Gas and Atlantic Aviation; investment in two solar construction projects during the nine months ended September 30, 2013; and proceeds received from the sale of an FBO during 2012.

Financing Activities

The increase in consolidated cash used in financing activities for nine months ended September 30, 2013 compared with the nine months ended September 30, 2012 was primarily due to:

increased debt principal payments primarily result of principal pay down in connection with the refinancing of the long-term debt at Atlantic Aviation; and

increase in dividends paid to our shareholders; partially offset by cash received from equity offering, net of offering costs; and contribution from noncontrolling interest for MIC Solar.

See below for further description of the cash flows related to our 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) | Nine Months Ended September 30, | | Change Favorable/ (Unfavorable) | |
|---------------------------------------|------------------------------------|-----------|------------------------------------|---------|
| | 2013 | 2012 | | |
| | \$ | \$ | \$ | % |
| Cash provided by operating activities | 156,399 | 148,971 | 7,428 | 5.0 |
| Cash used in investing activities | (120,065) | (96,538) | (23,527) | (24.4) |
| Cash used in financing activities | (37,737) | (104,077) | 66,340 | 63.7 |

Operating Activities

Cash provided by operating activities at IMTT is generated primarily from storage rentals and ancillary services that are billed monthly, primarily in advance. 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 for the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012, primarily as a result of:

improved operating results; partially offset by a tax payment in January of 2013 that was deferred from 2012 as a result of a postponement of time to pay, granted to tax payers by the IRS due to Hurricane Isaac; and

higher cash interest payments due to a higher drawn debt balance.

Investing Activities

Cash used in investing activities primarily relates to capital expenditures which were higher for the nine months ended September 30, 2013 compared with the nine months ended September 30, 2012. Total cash capital expenditures increased from \$95.4 million for the nine months ended September 30, 2012 to \$119.7 million for the nine months ended September 30, 2013, primarily due to the increase in maintenance capital expenditures. Total capital expenditures, on an accrual basis, increased from \$94.2 million for the nine months ended September 30, 2012 to \$98.2 million for the nine months ended September 30, 2013.

TABLE OF CONTENTS

Liquidity and Capital Resources: *IMTT* (continued)

The 2010 Tax Act provides for 100% bonus tax depreciation for certain fixed assets placed in service after September 8, 2010 and before January 1, 2012, and 50% bonus tax depreciation for certain fixed assets placed in service during 2012 for federal income tax purposes. The 2012 Tax Act extended the qualifying period for 50% bonus tax depreciation to include 2013. Generally, states do not allow this bonus 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.

Maintenance and Environmental Capital Expenditure

IMTT incurs maintenance capital expenditures to prolong the useful lives of existing assets and environmental capital expenditures to comply with regulatory requirements. Maintenance capital expenditures include spending to maintain the current functionality of storage tanks, piping and dock facilities while environmental capital expenditures are principally in relation to containment and remediation.

During the nine months ended September 30, 2013 and 2012, IMTT incurred \$60.5 million and \$30.7 million, respectively, on maintenance and environmental capital expenditures, of which \$16.4 million in 2013 was associated with repairs to the Bayonne terminal as a result of damage from Hurricane Sandy. Some of this expenditure was reimbursed from insurance; however, the business has chosen to make improvements to Bayonne while repairing the associated damage. The classification of capital expenditures as either growth or maintenance is the subject of ongoing review and discussions between MIC and its co-investor in IMTT.

The balance of the increase is primarily related to the increased volume of tanks currently out of service and undergoing planned cleaning and inspections, the replacement of fire protection equipment, work on docks in California required by state seismic regulations, and a number of projects that could not be completed in 2012 due to Hurricane Sandy.

For the full-year 2013, MIC currently believes IMTT will spend approximately \$80.0 million to \$85.0 million on maintenance capital expenditures. MIC believes that maintenance capital expenditures in 2014 will return to the range of levels observed in 2010, 2011 and 2012 of \$45.0 million, \$57.3 million and \$58.4 million, respectively, rather than remain at the currently elevated level. See Risk Factors in Part II, Item 1A.

Growth Capital Expenditure

IMTT incurred growth capital expenditures of \$37.7 million and \$63.5 million for the nine months ended September 30, 2013 and 2012, respectively.

In the nine months ended September 30, 2013, IMTT brought into service projects which are estimated to have a total cost of \$17.8 million. Together with the \$124.0 million of projects completed in 2012, the combined completed projects are expected to contribute \$25.4 million of annualized gross profit and EBITDA as outlined in the table below. Notwithstanding that these assets have been placed in service, as at September 30, 2013, an additional \$7.2 million is anticipated to be spent on these projects.

| | |
|----------------------------|---------------------------------|
| Anticipated Incremental | Anticipated Cumulative Gross |
|----------------------------|---------------------------------|

| | Gross Profit/EBITDA | Profit/EBITDA |
|------|------------------------|---------------|
| 2012 | \$3.8 million | \$3.8 million |
| 2013 | 20.8 million | 24.6 million |
| 2014 | 0.8 million | 25.4 million |

At September 30, 2013, IMTT had growth projects with an estimated total cost of \$38.1 million underway, including \$9.7 million of support infrastructure projects. The projects are expected to generate an additional \$7.1 million of annualized gross profit and EBITDA as outlined in the table below. To date, \$8.7 million has been spent on these projects.

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

| | Anticipated Incremental Gross Profit/EBITDA | Anticipated Cumulative Gross Profit/EBITDA |
|------|------------------------------------------------------|--------------------------------------------------|
| 2013 | \$ 1.0 million | \$ 1.0 million |
| 2014 | 5.1 million | 6.1 million |
| 2015 | 1.0 million | 7.1 million |

The business is currently evaluating projects with estimated capital expenditures in excess of \$100.0 million. Returns on these projects are anticipated to be in line with historical levels.

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 operations of IMTT. Examples of such projects include new docks and berths, new trucks, new truck racks and other inter-modal transport facilities, new or improved pumps, piping and other assets.

Financing Activities

Cash used in financing activities for the nine months ended September 30, 2013 compared with cash used in financing activities for the nine months ended September 30, 2012 reflects a lower level of distributions to shareholders, partially offset by a lower level of net borrowings.

At September 30, 2013, the balance on IMTT's total debt facilities was \$940.7 million. This consisted of \$336.3 million in letter of credit backed tax-exempt bonds, \$180.3 million in bank owned tax-exempt bonds, \$399.9 million in revolving credit facilities and \$24.2 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 4.23%. Cash interest paid was \$30.6 million and \$25.7 million for the nine months ended September 30, 2013 and 2012, respectively.

Subsequent to the financial close of the revolving credit facility on February 15, 2013, IMTT has added additional lenders to the syndicate and increased the capacity of the facility from \$1,040.0 million to \$1,302.5 million. The undrawn balance of the revolving credit facility as of September 30, 2013 was \$559.3 million.

The financial covenant requirements under IMTT's revolving credit facility, and the calculation of these measures at September 30, 2013, were as follows:

Leverage Ratio < 5.00x (default threshold). The ratio at September 30, 2013 was 3.66x.

Interest Coverage Ratio > 3.00x (default threshold). The ratio at September 30, 2013 was 5.95x.

On February 15, 2013, IMTT also reissued its GO Zone Bonds III and IV in order to extend the mandatory tender date from December of 2015 to February of 2018, as well as to mirror the amended covenant provisions of the revolving credit facility. Only one lender from the existing issuance did not participate in the reissuance. The departing lender's allocation has since been taken up by other lenders.

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, 2012.

Hawaii Gas

| (\$ In Thousands) | Nine Months Ended September 30, | | Change Favorable/(Unfavorable) | |
|-------------------------------------------------|------------------------------------|----------|-----------------------------------|----------|
| | 2013 | 2012 | \$ | % |
| Cash provided by operating activities | 27,110 | 22,523 | 4,587 | 20.4 |
| Cash used in investing activities | (15,389) | (11,305) | (4,084) | (36.1) |
| Cash (used in) provided by financing activities | (103) | 7,320 | (7,423) | (101.4) |

30

TABLE OF CONTENTS**Liquidity and Capital Resources: *Hawaii Gas* (continued)****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 provided by operating activities for the nine months ended September 30, 2013 compared with the nine months ended September 30, 2012 was driven primarily by \$8.7 million in interest rate swap breakage fees incurred in 2012 as part of the debt refinance, partially offset by higher feedstock and materials inventory at the end of the current period.

Investing Activities

Cash used in investing activities is composed primarily of capital expenditures. Capital expenditures are funded by drawing on credit facilities as well as cash from operating activities.

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

| | Maintenance | Growth |
|----------------------------------------------------------------------|----------------|-----------------|
| Nine months ended September 30, 2013, accrual basis | \$5,337 | \$9,093 |
| Change in accrued capital expenditure balance from December 31, 2012 | 671 | 301 |
| Nine months ended September 30, 2013, cash basis | \$6,008 | \$9,394 |
| Nine months ended September 30, 2012, accrual basis | \$5,241 | \$5,073 |
| Change in accrued capital expenditure balance from December 31, 2011 | 601 | 456 |
| Nine months ended September 30, 2012, cash basis | \$ 5,842 | \$ 5,529 |
| 2013 full year projected | \$ 8.3 million | \$ 10.1 million |

Maintenance Capital Expenditure

Maintenance capital expenditures include replacement of pipeline sections, upkeep of the business transmission system and SNG plant, repainting or renovations to buildings and other property and the purchase of replacement equipment.

Projected maintenance capital expenditures for the year ended December 31, 2013 increased from the previous amount disclosed in the Quarterly Report on Form 10-Q for the six months ended June 30, 2013 due to the business plan to purchase vehicles that were previously leased.

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 plant and the expansion of gas storage and transportation facilities.

Growth capital expenditures for the nine months ended September 30, 2013 were higher compared with the nine months ended September 30, 2012 driven mainly by propane storage expansion projects, meter and regulator purchases and LNG initiatives.

Projected growth capital expenditures for the year ended December 31, 2013 decreased from the previous amount disclosed in the Quarterly Report on Form 10-Q for the six months ended June 30, 2013 due to the delay in the completion of the storage expansion project, which is expected to be completed in early 2014.

The 2010 Tax 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. The 2012 Tax Act extended the qualifying period for 50% tax depreciation to include 2013. Generally, states do not allow this tax depreciation deduction in determining state taxable income.

TABLE OF CONTENTS**Liquidity and Capital Resources: *Hawaii Gas* (continued)****Financing Activities**

The main drivers of cash provided by financing activities are drawings on facilities for capital expenditures and working capital needs. At September 30, 2013, the balance on the business debt facilities consisted of \$180.0 million in term loan and senior secured note borrowings. Cash provided by financing activities during the nine months ended September 30, 2012 reflects the drawdown of the capital expenditure facility of \$10.0 million, offset partially by refinance costs. During the first quarter of 2013, the business borrowed \$20.0 million from its revolving credit facility for working capital requirements related to imports on foreign LPG cargos and to fund a portion of its capital expenditures. The full amount was repaid during the second quarter of 2013.

The operating company has issued \$100.0 million of 10-year, non-amortizing senior secured notes. The notes bear interest at a fixed rate of 4.22%. The operating company has also entered into a \$60.0 million, 5-year senior secured revolving credit facility that is currently undrawn. This facility bears interest at LIBOR + 1.50%. The holding company has entered into an \$80.0 million, 5-year, non-amortizing senior secured term loan agreement. The interest rate floats at LIBOR + 2.25%. The floating rate has been fixed for 4 years at 0.64% using an interest rate swap, resulting in a fixed all in rate of 2.89%. The weighted average interest rate of the outstanding debt facilities, including the interest rate swap, was 3.63% at September 30, 2013. Cash interest paid was \$6.2 million and \$5.5 million for the nine months ended September 30, 2013 and 2012, respectively.

The financial covenants precluding distributions under each of the business credit facilities discussed above are as follows:

12 month backward interest coverage ratio less than 3.0x; and

Leverage ratio (total indebtedness to capitalization ratio) for any fiscal quarter greater than 65.0%.

At September 30, 2013, the 12 month backward interest coverage ratio was 8.73x at the holding company and 13.98x at the operating company. The leverage ratio at September 30, 2013 was 60.31% at the holding company and 33.63% at the operating company.

Additionally, the HPUC requires the consolidated debt to total capital for the holding company to be less than 65% and that \$20.0 million in cash resources be readily available at Hawaii Gas or MIC. At September 30, 2013, the debt to total capital ratio was 60.31% and \$20.0 million in cash resources was readily available.

For a description of the material terms of Hawaii Gas credit facilities, see Note 10 Long-Term Debt in Part II, Item 8, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

District Energy

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

| (\$ In Thousands) | Nine Months Ended September 30, | | Change Favorable/ (Unfavorable) | |
|---------------------------------------|------------------------------------|--------|------------------------------------|---------|
| | 2013 | 2012 | \$ | % |
| Cash provided by operating activities | 8,560 | 11,071 | (2,511) | (22.7) |

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

| | | | | |
|-----------------------------------|----------|----------|----------|---------|
| Cash used in investing activities | (559) | (1,091) | 532 | 48.8 |
| Cash used in financing activities | (7,263) | (4,353) | (2,910) | (66.9) |

32

TABLE OF CONTENTS**Liquidity and Capital Resources: *District Energy* (continued)****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 provided by operating activities was lower as a result of lower operating results and unfavorable working capital movements for the nine months ended September 30, 2013 compared with the nine months ended September 30, 2012. The unfavorable movement for the nine months ended September 30, 2013 resulted from the timing of customer payments received and the timing of equipment lease payments received.

Cash from operating activities includes non-revenue lease principal, which is the principal portion of lease payments received from equipment leases with various customers. This is not included in EBITDA excluding non-cash items, as there is no impact on net income. Non-revenue lease principal was \$2.8 million and \$2.6 million for the nine months ended September 30, 2013 and 2012, 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 for the nine months ended September 30, 2013 and 2012 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):

| | Maintenance | Growth |
|----------------------------------------------------------------------|-------------|------------|
| Nine months ended September 30, 2013, accrual basis | \$ 312 | \$ 44 |
| Change in accrued capital expenditure balance from December 31, 2012 | 147 | 56 |
| Nine months ended September 30, 2013, cash basis | \$ 459 | \$ 100 |
| Nine months ended September 30, 2012, accrual basis | \$ 642 | \$ 547 |
| Change in accrued capital expenditure balance from December 31, 2011 | (68) | (29) |
| Nine months ended September 30, 2012, cash basis | \$ 574 | \$ 518 |
| 2013 full year projected | \$ 900,000 | \$ 380,000 |

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 and minor system modifications. Maintenance capital expenditures will be funded from available facilities and cash from operating activities. These expenditures were lower during the nine months ended September 30, 2013 due to the timing of spend on ordinary course maintenance projects.

Growth Capital Expenditure

Growth capital expenditures were lower during the nine months ended September 30, 2013 due to the timing of spend related to connecting new customers. New customers will sometimes reimburse the business for a substantial portion of expenditures related to connecting them to the business system, thereby reducing the impact of this element of capital expenditure.

Financing Activities

At September 30, 2013, the balance on the business debt facilities consisted of a \$150.0 million term loan facility and a \$8.0 million capital expenditure facility. The weighted average interest rate on the debt facilities, including the interest rate swaps and fees associated with outstanding letters of credit at September 30, 2013, was 6.01%. Cash interest paid was \$7.3 million and \$7.5 million for the nine months ended September 30, 2013 and 2012, respectively.

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

The increase in cash used in financing activities was primarily due to the mandatory debt principal payments that commenced during the third quarter of 2012 and increased distributions paid to the noncontrolling interest shareholders.

In accordance with the terms of its loan agreement, District Energy is applying 100% of its excess cash flow generated during the third quarter of 2012 and thereafter, to pay a portion of its debt facilities through the maturity of these facilities in September of 2014. These principal payments are applied to the capital expenditure facility first followed by the term loan facility. The business paid \$6.4 million to its lenders during the nine months ended September 30, 2013 and an additional \$4.9 million during October of 2013 bringing the principal balance outstanding to \$153.1 million.

At September 30, 2013, the business classified the outstanding balance of \$158.0 million relating to its debt in the current portion of long-term debt in the balance sheet, as its debt facilities mature in September of 2014. The Company has selected an advisor and commenced work to refinance its debt facilities and is expected to be completed during the first half of 2014 subject to market conditions.

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

Backward Interest Coverage Ratio < 1.5x (distribution lock-up) and < 1.2x (default). The ratio at September 30, 2013 was 2.16x.

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 September 30, 2013 was 7.99%.

For a description of the material terms of District Energy's credit facilities, see Note 10, Long-Term Debt, in Part II, Item 8, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Atlantic Aviation

| (\$ In Thousands) | Nine Months Ended September 30, | | Change Favorable/(Unfavorable) | |
|--------------------------------------------------|------------------------------------|-----------|-----------------------------------|----------|
| | 2013 | 2012 | | |
| | \$ | \$ | \$ | % |
| Cash provided by operating activities | 92,293 | 61,920 | 30,373 | 49.1 |
| Cash used in investing activities | (16,204) | (7,350) | (8,854) | (120.5) |
| Cash used in financing activities ⁽¹⁾ | (277,450) | (22,977) | (254,473) | NM |

NM Not meaningful

During the quarter ended June 30, 2013, we provided Atlantic Aviation with a capital contribution of \$237.0 (1) million to pay down the term loan debt. This contribution has been excluded from the above table as it is eliminated on consolidation.

Operating Activities

Cash provided by operating activities at Atlantic Aviation is generated from sales transactions primarily paid by credit cards. Some customers are provided extended payment terms and are billed accordingly. Cash used in operating activities is 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 nine months ended September 30, 2013 compared with the nine months ended September 30, 2012 primarily due to:

lower cash interest paid due to the expiration of interest rate swaps in October of 2012 and lower principal balance on the term loan debt; and

improved operating results; partially offset by
timing of various payments.

TABLE OF CONTENTS**Liquidity and Capital Resources: *Atlantic Aviation* (continued)****Investing Activities**

Cash used in investing activities relates primarily to cash used for acquisitions and capital expenditures. Cash provided by investing activities relates primarily to proceeds from the sale of FBOs. Cash used in investing activities increased during the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 primarily due to the sale of an FBO in the prior year that did not recur and an increase in growth capital expenditures.

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

| | Maintenance | Growth |
|----------------------------------------------------------------------|-----------------|-----------------|
| Nine months ended September 30, 2013, accrual basis | \$5,248 | \$11,371 |
| Change in accrued capital expenditure balance from December 31, 2012 | 250 | (614) |
| Nine months ended September 30, 2013, cash basis | \$5,498 | \$10,757 |
| Nine months ended September 30, 2012, accrual basis | \$7,949 | \$4,532 |
| Change in accrued capital expenditure balance from December 31, 2011 | 214 | 285 |
| Nine months ended September 30, 2012, cash basis | \$ 8,163 | \$ 4,817 |
| 2013 full year projected | \$ 11.4 million | \$ 20.0 million |

Maintenance Capital Expenditure

Maintenance capital expenditures include repainting, replacing equipment as necessary and any ongoing environmental or required regulatory expenditure. These expenditures are generally funded from cash flow from operating activities. Maintenance capital expenditures were lower for the nine months ended September 30, 2013 compared with the nine months ended September 30, 2012 due to timing of spend on ordinary course maintenance projects.

Growth Capital Expenditure

Growth capital expenditures are incurred where the business acquires new assets. Historically, these expenditures have included development of hangars, terminal buildings and ramp upgrades. The business is also currently looking to increase its growth capital expenditures on fuel supply chain logistics at some of the airports at which it operates.

Growth capital expenditures during the nine months ended September 30, 2013 related primarily to upgrades of certain facilities that are designed to improve the capabilities and amenities of these facilities and investments in fuel supply chain logistics. Atlantic Aviation expects growth capital expenditures to increase in 2013 compared with 2012 primarily due to these upgrades and investments.

The 2010 Tax 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. The 2012 Tax Act extended the qualifying period for 50% tax depreciation to include 2013. Generally, states do not allow this tax depreciation deduction in determining state taxable income.

Financing Activities

On May 31, 2013, Atlantic Aviation refinanced its term loan and capital expenditure debt facilities. The new credit agreement provides for a 7-year, \$465.0 million senior secured, first lien term loan and a 5-year, \$70.0 million senior secured, first lien revolving credit facility. The term loan was fully drawn at signing and the revolving credit facility was undrawn. Proceeds from the term loan were used to partially repay Atlantic Aviation's existing debt facilities.

The credit agreement also provides for an uncommitted incremental facility that permits Atlantic Aviation, subject to certain conditions, to increase the term loan facility by up to \$50.0 million plus an additional amount if certain senior secured leverage ratio amounts are maintained.

TABLE OF CONTENTS

Liquidity and Capital Resources: *Atlantic Aviation* (continued)

In conjunction with the refinancing, MIC contributed \$237.0 million of equity to Atlantic Aviation to partially repay Atlantic Aviation's existing debt facilities, as discussed further in Note 7, Long-Term Debt and Note 9, Members Equity.

At September 30, 2013, the balance on Atlantic Aviation's debt facilities included \$463.8 million outstanding on the new term loan facility. The revolving credit facility remains undrawn as of September 30, 2013. The facilities bear interest at a rate of LIBOR plus a margin of 2.50% with a minimum LIBOR of 0.75% through the maturity of the term loan in May of 2020 and the maturity of the revolving credit facility in May of 2018.

On July 10, 2013 Atlantic Aviation entered into an interest rate swap where it will pay a fixed rate of 2.198% for one-month U.S. LIBOR on a notional amount of \$465.0 million. The swap has an effective date of July 31, 2013 and will terminate on July 31, 2019. This agreement fixes Atlantic Aviation's interest rate on \$465.0 million of indebtedness at 4.698% for 6 years.

For the nine months ended September 30, 2012, Atlantic Aviation had interest rate swaps that hedged 100% of the previous term loan debt by swapping three-month U.S. LIBOR for a fixed rate of 5.1925%. These swaps expired on October 16, 2012 which lowered the all-in rate on the previous term loan from 6.7925% to floating rate of LIBOR + 1.725% through its refinancing on May 31, 2013.

Atlantic Aviation also has stand-alone debt facilities used to fund construction of certain FBOs. At September 30, 2013, the balances on the stand-alone facilities totaled \$5.4 million. The interest rates on these stand-alone facilities are fixed at 4.75%.

The current weighted average interest rate of all outstanding debt facilities, including the interest rate swaps, is 4.70%. Cash interest paid was \$12.7 million and \$37.3 million for the nine months ended September 30, 2013 and 2012, respectively, excluding interest rate swap breakage fees incurred in 2012.

Cash used in financing activities increased primarily due to a larger payment on the principal balance of the term loan debt during the nine months ended September 30, 2013 of \$262.0 million, compared with \$23.2 million for the nine months ended September 30, 2012.

The financial covenant requirements under Atlantic Aviation's credit facility, and the calculation of these measures at September 30, 2013, were as follows:

Leverage Ratio debt to adjusted EBITDA for the prior four fiscal quarters < 4.75x (default threshold). The ratio at September 30, 2013 was 3.25x.

For a description of the material terms of Atlantic Aviation's credit facilities, see Note 7, Long-Term Debt, in Part I of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.

MIC Solar

The following analysis represents 100% of the cash flows of MIC Solar.

| | Nine Months Ended September 30, 2013 |
|------------------------------------------------------|-----------------------------------------------|
| (\$ In Thousands) | \$ |
| Cash used in operating activities | (14,910) |
| Cash used in investing activities | (33,885) |
| Cash provided by financing activities ⁽¹⁾ | 31,420 |

During the quarter ended September 30, 2013, we provided MIC Solar with a capital contribution of \$14.7 million (1)to acquire two construction projects. This contribution has been excluded from the above table as it is eliminated on consolidation.

36

TABLE OF CONTENTS

Liquidity and Capital Resources: *MIC Solar* (continued)

Operating Activities

Cash provided by operating activities is driven primarily by revenue collected from PPA contracts. Cash used in operating activities is driven by the timing of payments out of the restricted cash account for vendor services, leases, insurance, and other routine operating expenses.

Investing Activities

Cash used in investing activities is mainly comprised of growth capital expenditures, which are generally funded by drawing on construction loans and equity contributions from MIC and/or its co-investor. MIC Solar does not expect to incur capital expenditures at its existing sites as all upgrades, replenishments and repairs are covered under the O&M contract.

The following table sets forth information about growth capital expenditures at MIC Solar (\$ in thousands):

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| | Growth |
| Nine months ended September 30, 2013, accrual basis | \$ 28,344 |
| Change in accrued capital expenditure balance from December 31, 2012 | (9,125) |
| Nine months ended September 30, 2013, cash basis | \$ 19,219 |
| 2013 full year projected | \$ 41.0 million |
| Cash used in investing activities for the nine months ended September 30, 2013 relates to the completion of the Presidio, Texas facility and the on-going construction on two projects. | |

Financing Activities

In general, MIC Solar has used a combination of equity and fixed-rate non-recourse bank loans to finance the construction and commissioning of its solar facilities. During the construction period, the loan is a construction loan and converts to a term loan upon commercial operations. Once the projects have reached commercial operations, MIC Solar repays the bank loan on a fixed amortization schedule. The loans have typical financial and operational covenants, including a historical debt service coverage ratio test. Each of the facilities is financed individually through special purpose entities.

At September 30, 2013, MIC Solar had \$82.9 million in term loan debt and \$32.6 million in construction loan debt.

The weighted average interest rate on the term loan debt was 4.15%. The interest on the construction loan is capitalized to the project cost. Cash interest paid was \$1.9 million for the nine months ended September 30, 2013.

The cash provided by financing activities for the nine months ended September 30, 2013 was primarily due to drawdown on construction loan facilities and contribution from noncontrolling interest, partially offset by repayment on debt facilities and distributions to noncontrolling interests.

Commitments and Contingencies

As discussed in Atlantic Aviation *Liquidity and Capital Resources Financing Activities*, in conjunction with the refinancing of the long-term debt of Atlantic Aviation, MIC contributed \$237.0 million of equity to the business.

Atlantic Aviation used all of this cash to repay a portion of its outstanding debt. On May 31, 2013, Atlantic Aviation secured a new 7-year term loan of \$465.0 million and refinanced the remainder of its long-term debt. At September 30, 2013 Atlantic Aviation's long-term debt consisted of the fully drawn \$465.0 million term loan. This compares with a combined \$725.8 million drawn balance on a term loan and a capital expenditure facility at December 31, 2012.

The required amortization of principal on the new term loan facility is equal to 1% of the original principal amount per annum paid in equal quarterly installments with the balance payable at maturity. Under the terms of the prior credit facility, Atlantic Aviation was required to apply all excess cash flow to the repayment of the principal balance during the two years prior to the maturity of the facility. See Note 7, Long-Term Debt in Part I of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.

TABLE OF CONTENTS

On July 10, 2013 Atlantic Aviation entered into an interest rate swap pursuant to which it will pay a fixed rate of 2.198% for one-month U.S. LIBOR on a notional amount of \$465.0 million. The swap has an effective date of July 31, 2013 and will terminate on July 31, 2019. The swap agreement fixes Atlantic Aviation's interest rate on the \$465.0 million of indebtedness at 4.698% for 6 years. Subsequent to October 16, 2012, the date of the expiration of the prior interest rate swap, Atlantic Aviation had been paying interest at rate of LIBOR plus 1.725% on its prior credit facility. See Note 8, "Derivative Instruments and Hedging Activities", to our consolidated condensed financial statements in Part I of this Form 10-Q for further discussion.

At September 30, 2013, District Energy classified \$158.0 million relating to its debt in the current portion of long-term debt in the balance sheet, as its debt facilities mature in September of 2014. The Company has selected an advisor and commenced work to refinance its debt facilities and is expected to be completed during the first half of 2014 subject to market conditions.

Except as noted above, at September 30, 2013, there had been no material changes in our commitments and contingencies compared with our commitments and contingencies at December 31, 2012, except for the mandatory payment we expect to make under the terms of cash sweep of District Energy's credit facilities discussed above. See Note 7, "Long-Term Debt", to our consolidated condensed financial statements in Part I of this Form 10-Q for further discussion.

At September 30, 2013, we did not have any 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, 2012, filed with the SEC on February 20, 2013.

At September 30, 2013, 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 include:

cash generated from our operations (see "Operating Activities" in "Liquidity and Capital Resources"); refinancing of 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, 2012. Our critical accounting policies and estimates have not changed materially from the description contained in our 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 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.

TABLE OF CONTENTS

Goodwill, Intangible Assets and Property, Plant and Equipment

Significant assets acquired in connection with our acquisition of businesses 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.

ASU No. 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, 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. Hawaii Gas, 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.

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.

TABLE OF CONTENTS

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 impairment of goodwill and indefinite-lived intangible assets annually as of October 1st or when there is an indicator of impairment.

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, 2012. Our exposure to market risk has not changed materially since February 20, 2013, 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 September 30, 2013.

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 September 30, 2013 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)

| | September 30, 2013 (Unaudited) | December 31, 2012 |
|--------------------------------------------------------------------------------------------|--------------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$83,043 | \$141,376 |
| Restricted cash | 13,920 | 3,133 |
| Accounts receivable, less allowance for doubtful accounts of \$806 and \$875, respectively | 65,115 | 56,553 |
| Inventories | 25,330 | 20,617 |
| Prepaid expenses | 9,473 | 8,908 |
| Deferred income taxes | 6,456 | 6,803 |
| Equipment lease receivables current | 13,149 | 4,448 |
| Other | 9,766 | 12,072 |
| Total current assets | 226,252 | 253,910 |
| Property, equipment, land and leasehold improvements, net | 777,067 | 708,031 |
| Equipment lease receivables non-current | 17,285 | 28,177 |
| Investment in unconsolidated business | 86,554 | 75,205 |
| Goodwill | 513,939 | 514,640 |
| Intangible assets, net | 600,345 | 626,902 |
| Deferred financing costs, net of accumulated amortization | 22,030 | 7,845 |
| Other | 5,702 | 8,984 |
| Total assets | \$2,249,174 | \$2,223,694 |
| LIABILITIES AND MEMBERS' EQUITY | | |
| Current liabilities: | | |
| Due to manager-related party | \$15,379 | \$50,253 |
| Accounts payable | 28,957 | 26,499 |
| Accrued expenses | 40,978 | 35,499 |
| Current portion of long-term debt | 168,005 | 106,580 |
| Fair value of derivative instruments | 13,336 | 7,450 |
| Other | 18,187 | 19,049 |
| Total current liabilities | 284,842 | 245,330 |
| Long-term debt, net of current portion | 754,685 | 1,052,584 |
| Deferred income taxes | 176,092 | 169,392 |
| Fair value of derivative instruments | | 5,360 |
| Other | 53,733 | 53,463 |
| Total liabilities | 1,269,352 | 1,526,129 |
| Commitments and contingencies | | |

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

Members' equity:

| | | |
|---------------------------------------------------------------------------|-------------|-------------|
| LLC interests, no par value; 500,000,000 authorized; 53,469,879 LLC | | |
| interests issued and outstanding at September 30, 2013 and 47,453,943 LLC | 1,129,950 | 883,143 |
| interests issued and outstanding at December 31, 2012 | | |
| Additional paid in capital | 21,447 | 21,447 |
| Accumulated other comprehensive loss | (20,419) | (20,801) |
| Accumulated deficit | (213,331) | (228,761) |
| Total members' equity | 917,647 | 655,028 |
| Noncontrolling interests | 62,175 | 42,537 |
| Total equity | 979,822 | 697,565 |
| Total liabilities and equity | \$2,249,174 | \$2,223,694 |

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 | | Nine Months Ended | |
|------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 |
| Revenue | | | | |
| Revenue from product sales | \$ 172,169 | \$ 166,385 | \$ 513,465 | \$ 508,468 |
| Revenue from product sales utility | 32,981 | 35,535 | 104,095 | 110,656 |
| Service revenue | 57,752 | 56,214 | 160,153 | 160,053 |
| Financing and equipment lease income | 817 | 1,119 | 2,779 | 3,448 |
| Total revenue | 263,719 | 259,253 | 780,492 | 782,625 |
| Costs and expenses | | | | |
| Cost of product sales | 113,974 | 111,677 | 340,122 | 346,778 |
| Cost of product sales utility | 28,142 | 31,001 | 89,095 | 94,497 |
| Cost of services | 13,584 | 15,044 | 37,030 | 41,489 |
| Selling, general and administrative | 53,669 | 51,571 | 154,998 | 157,301 |
| Fees to manager-related party | 15,242 | 29,353 | 76,912 | 39,108 |
| Depreciation | 10,039 | 7,596 | 28,730 | 22,704 |
| Amortization of intangibles | 8,618 | 8,800 | 25,866 | 25,892 |
| Loss from customer contract termination | | | 1,626 | |
| Loss (gain) on disposal of assets | 50 | (1,706) | 226 | (1,379) |
| Total operating expenses | 243,318 | 253,336 | 754,605 | 726,390 |
| Operating income | 20,401 | 5,917 | 25,887 | 56,235 |
| Other income (expense) | | | | |
| Interest income | 39 | 110 | 182 | 116 |
| Interest expense ⁽¹⁾ | (15,767) | (15,144) | (31,190) | (39,076) |
| Loss on extinguishment of debt | | | (2,472) | |
| Equity in earnings and amortization charges of investee | 8,576 | 6,989 | 30,327 | 23,295 |
| Other income, net | 829 | 249 | 514 | 245 |
| Net income (loss) before income taxes | 14,078 | (1,879) | 23,248 | 40,815 |
| (Provision) benefit for income taxes ⁽²⁾ | (5,829) | 1,758 | (9,241) | (14,698) |
| Net income (loss) | \$ 8,249 | \$ (121) | \$ 14,007 | \$ 26,117 |
| Less: net (loss) income attributable to noncontrolling interests | (2,158) | 1,758 | (1,423) | 2,766 |
| Net income (loss) attributable to MIC LLC | \$ 10,407 | \$ (1,879) | \$ 15,430 | \$ 23,351 |
| | \$ 0.20 | \$ (0.04) | \$ 0.31 | \$ 0.50 |

Basic income (loss) per share attributable to MIC

LLC interest holders

| | | | | |
|------------------------------------------------------|------------|------------|------------|------------|
| Weighted average number of shares outstanding: basic | 53,043,185 | 46,684,627 | 50,525,617 | 46,524,980 |
|------------------------------------------------------|------------|------------|------------|------------|

| | | | | |
|--------------------------------------------------------------------------|--------|----------|--------|--------|
| Diluted income (loss) per share attributable to MIC LLC interest holders | \$0.20 | \$(0.04) | \$0.31 | \$0.50 |
|--------------------------------------------------------------------------|--------|----------|--------|--------|

| | | | | |
|--------------------------------------------------------|------------|------------|------------|------------|
| Weighted average number of shares outstanding: diluted | 53,056,095 | 46,684,627 | 50,541,513 | 46,545,903 |
|--------------------------------------------------------|------------|------------|------------|------------|

| | | | | |
|-----------------------------------|----------|----------|----------|----------|
| Cash dividends declared per share | \$0.8750 | \$0.6875 | \$2.4375 | \$1.5125 |
|-----------------------------------|----------|----------|----------|----------|

(1) Interest expense includes losses on derivative instruments of \$8.0 million and \$9.6 million for the quarter and nine months ended September 30, 2013, respectively, of which net losses of \$344,000 and \$1.2 million, respectively, was reclassified from accumulated other comprehensive income. For the quarter and nine months ended September 30, 2012, interest expense includes losses on derivative instruments of \$9.4 million and \$20.3 million, respectively, of which net losses of \$6.1 million and \$14.6 million, respectively, was reclassified from accumulated other comprehensive income.

(2) Includes \$137,000 and \$463,000 of benefit for income taxes from accumulated other comprehensive income reclassifications for the quarter and nine months ended September 30, 2013, respectively. The quarter and nine months ended September 30, 2012 includes benefit for income taxes of \$3.1 million and \$6.5 million from accumulated other comprehensive income reclassifications, 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 | | Nine Months Ended | |
|----------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 |
| Net income (loss) | \$8,249 | \$ (121) | \$14,007 | \$ 26,117 |
| Other comprehensive income, net of taxes: | | | | |
| Reclassification of realized losses of derivatives ⁽¹⁾ | 217 | 3,070 | 733 | 8,252 |
| Translation adjustment ⁽²⁾ | | | | 104 |
| Other comprehensive income | 217 | 3,070 | 733 | 8,356 |
| Comprehensive income | \$8,466 | \$ 2,949 | \$14,740 | \$ 34,473 |
| Less: comprehensive (loss) income attributable to noncontrolling interests | (2,054) | 1,933 | (1,072) | 3,364 |
| Comprehensive income attributable to MIC LLC | \$10,520 | \$ 1,016 | \$15,812 | \$ 31,109 |

- Reclassification of realized losses of derivatives is composed of (i) pre-tax derivative losses into interest expense of \$344,000 and \$1.2 million, respectively, and the related tax benefit of \$137,000 and \$463,000, respectively, in the consolidated condensed statements of operations; and (ii) pre-tax derivative losses as an adjustment to investment in unconsolidated business of \$15,000 and \$47,000, respectively, and an adjustment to deferred taxes of \$5,000 and \$16,000, respectively, in the consolidated condensed balance sheet for the quarter and nine months ended (1) September 30, 2013, respectively. For the quarter and nine months ended September 30, 2012, reclassification of realized losses of derivatives is composed of (i) pre-tax derivative losses into interest expense of \$6.1 million and \$14.6 million, respectively, and the related tax benefit of \$3.1 million and \$6.5 million, respectively, in the consolidated condensed statements of operations; and (ii) pre-tax derivative losses as an adjustment to investment in unconsolidated business of \$87,000 and \$261,000, respectively, and an adjustment to deferred taxes of \$30,000 and \$91,000, respectively, in the consolidated condensed balance sheet.
- (2) Translation adjustment is presented net of taxes of \$56,000 for the nine months ended September 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)**

| | Nine Months Ended | |
|-----------------------------------------------------------------------------------|-----------------------|-----------------------|
| | September 30, 2013 | September 30, 2012 |
| Operating activities | | |
| Net income | \$ 14,007 | \$ 26,117 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of property and equipment | 33,751 | 27,740 |
| Amortization of intangible assets | 25,866 | 25,892 |
| Loss (gain) on disposal of assets | 106 | (1,803) |
| Loss from customer contract termination | 1,626 | |
| Equity in earnings and amortization charges of investee | (30,327) | (23,295) |
| Equity distributions from investee | 19,025 | 77,920 |
| Amortization of debt financing costs | 2,892 | 3,290 |
| Loss on extinguishment of debt | 2,434 | |
| Adjustments to derivative instruments | 1,160 | (23,680) |
| Base management fees to be settled/settled in LLC interests | 23,524 | 15,599 |
| Performance fees to be settled/settled in LLC interests | 53,388 | 23,509 |
| Equipment lease receivable, net | 2,814 | 2,595 |
| Deferred rent | 197 | 314 |
| Deferred taxes | 6,567 | 10,459 |
| Other non-cash (income) expenses, net | (743) | 2,340 |
| Changes in other assets and liabilities: | | |
| Restricted cash | (465) | |
| Accounts receivable | (8,524) | (8,882) |
| Inventories | (3,535) | 2,232 |
| Prepaid expenses and other current assets | 1,026 | 395 |
| Due to manager-related party | 2 | 68 |
| Accounts payable and accrued expenses | (13,794) | 4,622 |
| Income taxes payable | (819) | 727 |
| Other, net | (2,418) | (1,576) |
| Net cash provided by operating activities | 127,760 | 164,583 |
| Investing activities | | |
| Acquisitions of businesses and investments, net of cash acquired | (14,666) | |
| Purchases of property and equipment | (51,435) | (25,443) |

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

| | | |
|-----------------------------------------------------|-----------|--------|
| Proceeds from sale of assets | | 5,625 |
| Return of investment in unconsolidated business | | 50,899 |
| Other, net | 64 | 72 |
| Net cash (used in) provided by investing activities | (66,037) | 31,153 |

See accompanying notes to the consolidated condensed financial statements.

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC**

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

| | Nine Months Ended | |
|---------------------------------------------------------------|-----------------------|-----------------------|
| | September 30, 2013 | September 30, 2012 |
| Financing activities | | |
| Proceeds from issuance of LLC interests | 227,558 | |
| Proceeds from long-term debt | 499,960 | 191,142 |
| Offering and equity raise costs paid | (11,041) | |
| Dividends paid to holders of LLC interests | (82,139) | (47,716) |
| Contributions received from noncontrolling interests | 22,362 | |
| Distributions paid to noncontrolling interests | (1,652) | (4,286) |
| Payment of long-term debt | (758,795) | (203,428) |
| Debt financing costs paid | (18,973) | (2,815) |
| Change in restricted cash | 4,036 | |
| Payment of notes and capital lease obligations | (1,372) | (622) |
| Net cash used in financing activities | (120,056) | (67,725) |
| Net change in cash and cash equivalents | (58,333) | 128,011 |
| Cash and cash equivalents, beginning of period | 141,376 | 22,786 |
| Cash and cash equivalents, end of period | \$ 83,043 | \$ 150,797 |
| Supplemental disclosures of cash flow information | | |
| Non-cash investing and financing activities: | | |
| Accrued purchases of property and equipment | \$ 12,331 | \$ 1,742 |
| Acquisition of equipment through capital leases | \$ 1,320 | \$ 2,624 |
| Issuance of LLC interests to manager for base management fees | \$ 21,487 | \$ 13,977 |
| Issuance of LLC interests to manager for performance fees | \$ 90,302 | \$ |
| Issuance of LLC interests to independent directors | \$ 640 | \$ 571 |
| Taxes paid | \$ 3,493 | \$ 3,734 |
| Interest paid | \$ 28,090 | \$ 50,863 |

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:

International Matex Tank Terminals or IMTT : a 50% interest in a bulk liquid storage terminal business, 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;

Hawaii Gas: a full-service gas energy company processing and distributing gas products and providing related services in Hawaii;

District Energy: a 50.01% controlling interest in a district energy business, which operates one of the largest district cooling systems 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 62 airports in the U.S.; and

MIC Solar: interests in five contracted solar power generation facilities located in the southwest U.S. that are expected to have an aggregate generating capacity of 57 megawatts of wholesale electricity to utilities and a U.S. Air Force base.

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 nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

The consolidated balance sheet at December 31, 2012 has been derived from audited financial statements but does not include all of the information and notes required by accounting principles generally accepted in

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

2. Basis of Presentation (continued)

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.

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, 2012 included in the Company's Annual Report on Form 10-K, as filed with the SEC on February 20, 2013.

Recently Issued Accounting Standards Adopted

In February of 2013, the Financial Accounting Standards Board, or FASB, issued ASU 2013-02 *Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income*, which is effective for interim reporting periods beginning on or after December 15, 2012. This guidance requires disclosure by component of other comprehensive income of the amounts reclassified out of accumulated other comprehensive income by component and into net earnings for the reporting period. Since this guidance requires only additional disclosures, the adoption did not have an impact on the Company's results of operations and financial condition.

3. Income per Share

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

| | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|--------------------------------------------------------|--------------------------------|------------|------------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Weighted average number of shares outstanding: basic | 53,043,185 | 46,684,627 | 50,525,617 | 46,524,980 |
| Dilutive effect of restricted stock unit grants | 12,910 | | 15,896 | 20,923 |
| Weighted average number of shares outstanding: diluted | 53,056,095 | 46,684,627 | 50,541,513 | 46,545,903 |

The effect of potentially dilutive shares for the quarter and nine months ended September 30, 2013 is calculated assuming that the 12,910 restricted stock unit grants provided to the independent directors on May 20, 2013, which will vest during the second quarter of 2014, had been fully converted to shares on those grant dates. The effect of potentially dilutive shares for the nine months ended September 30, 2013 is calculated also assuming that the 18,208 restricted stock unit grants provided to the independent directors on May 31, 2012, which vested during the second

quarter of 2013, and the 895 restricted stock unit grants on February 21, 2013, which vested during the second quarter of 2013, had been fully converted to shares on those grant dates.

The effect of potentially dilutive shares for the nine months ended September 30, 2012 is calculated assuming that the 18,208 restricted stock unit grants provided to the independent directors on May 31, 2012, which vested 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 18,208 restricted stock unit grants provided to the independent directors on May 31, 2012 were anti-dilutive for the quarter ended September 30, 2012, due to the Company's net loss for that period.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

4. Acquisitions

MIC Solar Acquisitions

The Company invested in two utility-scale solar photovoltaic contracted power generation facilities in the fourth quarter of 2012, one in Tucson, Arizona (the Tucson Project) and one in Presidio, Texas (the Presidio Project). These projects are fully operational and have a combined capacity 30 megawatts (MWac) of electricity.

During the third quarter of 2013, the Company invested in two additional utility-scale solar photovoltaic contracted power generation facilities, one at Davis Monthan Air Force Base (the DMAFB Project) located in Tucson, Arizona, and one in Valley Center, California (the Valley Center Project). On October 8, 2013, the Company completed the acquisition of a contracted solar power generation facility located near Ramona, California (the Ramona Project). These three projects are under construction and are expected to be operational before the end of the first quarter of 2014. They have a combined generating capacity of 27 megawatts.

At September 30, 2013, the four investments made to that date, called MIC Solar , constituted a business segment that meets the threshold of a reportable segment in accordance with U.S. GAAP. Therefore, the results of operations of MIC Solar are reported as a reportable segment for the quarter and nine months ended September 30, 2013 in the accompanying disclosure of segment information.

The projects that comprise MIC Solar are, or will upon substantial completion, be held in LLCs with a co-investor. Each project 's taxable income for the first five years is expected to be a loss due to accelerated depreciation, with 99% of the taxable loss, subject to certain adjustments that are not expected to be significant, allocated to the co-investor. Accordingly, these projects should have a nominal effect on MIC 's consolidated current taxable income for at least the first five years of each project. The projects do not pay federal or state income taxes on a standalone basis, as the projects are treated as a partnership for tax purposes, with each member paying federal and state income taxes based on their allocated taxable income.

MIC will receive certain rights to make decisions over the management and operations of the projects and the Company has determined that it is appropriate to consolidate the project with the co-investor 's interest reflected as a noncontrolling interest in the consolidated condensed financial statements.

Acquisition of Tucson, Arizona

On November 21, 2012, the Company completed the acquisition of the Tucson Project for a purchase price of \$59.4 million. This acquisition was funded by a \$4.0 million capital investment by the Company and \$55.4 million capital contribution from a noncontrolling interest co-investor. At December 31, 2012, this facility was fully operational.

During June of 2013, the co-investor made a further investment of \$1.7 million into the Tucson Project. This facility is expected to generate approximately 20 megawatts of electricity.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

4. Acquisitions (continued)

The acquisition has been accounted for as a business combination. Accordingly, the results of operations of the Tucson Project are included in the consolidated condensed statement of operations since November 21, 2012. The fair value of the assets acquired and liabilities assumed at the date of acquisition was as follows (\$ in thousands):

| | |
|-----------------------------------|------------|
| Restricted cash – current | \$ 538 |
| Total current assets | 538 |
| Property and equipment | 115,597 |
| Restricted cash – non-current | 2,219 |
| Total assets acquired | \$ 118,354 |
| Current portion of long-term debt | \$ 1,842 |
| Total current liabilities | 1,842 |
| Long-term debt | 57,087 |
| Total liabilities assumed | \$ 58,929 |
| Net assets acquired | \$ 59,425 |

Acquisition of Presidio, Texas

On December 21, 2012, the Company completed the acquisition of the Presidio Project for a purchase price of \$5.4 million, funded by a capital investment by the Company. In January of 2013, the Company entered into an LLC agreement with a noncontrolling interest co-investor who made a capital contribution of \$2.0 million during the quarter ended March 31, 2013. During April of 2013, the co-investor made a further investment of \$18.6 million, of which \$3.4 million was returned to MIC as a return of capital, reducing MIC's investment in the Presidio Project to \$2.0 million. This facility is expected to generate approximately 10 megawatts of electricity.

In connection with the acquisition, the Company assumed \$24.3 million in construction financing. This facility in Presidio commenced operations during June of 2013. Prior to operations, the fixed assets of this investment were classified as construction in progress on the consolidated condensed balance sheet. The construction loan was converted to term debt during July of 2013.

The acquisition has been accounted for as a business combination. Accordingly, the results of operations of the Presidio Project are included in the consolidated condensed statement of operations since December 21, 2012. The fair value of the assets acquired and liabilities assumed at the date of acquisition was as follows (\$ in thousands):

| | |
|---------------------------|----------|
| Restricted cash – current | \$ 2,596 |
|---------------------------|----------|

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

| | |
|-----------------------------------|-----------|
| Total current assets | 2,596 |
| Property and equipment | 25,837 |
| Restricted cash non-current | 1,000 |
| Deferred financing costs | 263 |
| Total assets acquired | \$ 29,696 |
| Current portion of long-term debt | \$ 497 |
| Total current liabilities | 497 |
| Long-term debt | 23,807 |
| Total liabilities assumed | \$ 24,304 |
| Net assets acquired | \$ 5,392 |

49

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

4. Acquisitions (continued)

Acquisition of Davis Monthan Air Force Base, Arizona

On July 19, 2013, the Company completed the acquisition of the DMAFB Project near Tucson, Arizona for a purchase price of \$7.9 million. This was funded by a capital investment by the Company. This facility is expected to generate approximately 13 megawatts of electricity. In connection with the acquisition, the Company assumed \$22.4 million in construction financing. The DMAFB Project is expected to commence operations during the first quarter of 2014 and therefore the fixed assets of this investment are classified as construction in progress at September 30, 2013 on the consolidated condensed balance sheet. Upon commencement of operations, the construction loan is expected to convert to term debt.

The acquisition has been accounted for as a business combination. Accordingly, the results of operations of the DMAFB Project are included in the consolidated condensed statement of operations starting with the quarter ended September 30, 2013. The fair value of the assets acquired and liabilities assumed at the date of acquisition was as follows (\$ in thousands):

| | |
|-----------------------------------|-----------|
| Restricted cash – current | \$ 2,708 |
| Total current assets | 2,708 |
| Property and equipment | 27,593 |
| Total assets acquired | \$ 30,301 |
| Current liabilities | \$ 32 |
| Current portion of long-term debt | 321 |
| Total current liabilities | 353 |
| Long-term debt | 22,040 |
| Total liabilities assumed | \$ 22,393 |
| Net assets acquired | \$ 7,908 |

Acquisition of Valley Center, California

On September 20, 2013, the Company completed the acquisition of the Valley Center Project in Valley Center, California for a purchase price of \$6.8 million. This was funded by a capital investment by the Company. This facility is expected to generate approximately 7 megawatts of electricity. The Valley Center Project is expected to commence operations during the first quarter of 2014 and therefore the fixed assets of this investment are classified as construction in progress at September 30, 2013 on the consolidated condensed balance sheet.

In connection with the acquisition, the Company entered into a construction loan agreement and drew down \$10.2 million. Upon commencement of operations, the construction loan is expected to convert to term debt.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

4. Acquisitions (continued)

The acquisition has been accounted for as a business combination. Accordingly, the results of operations of the Valley Center Project are included in the consolidated condensed statement of operations starting with the quarter ended September 30, 2013. The fair value of the assets acquired and liabilities assumed at the date of acquisition was as follows (\$ in thousands):

| | |
|---------------------------|-----------|
| Restricted cash – current | \$ 7,614 |
| Other current assets | 7 |
| Total current assets | 7,621 |
| Property and equipment | 8,846 |
| Deferred financing costs | 502 |
| Total assets acquired | \$ 16,969 |
| Current liabilities | \$ 10,211 |
| Total liabilities assumed | \$ 10,211 |
| Net assets acquired | \$ 6,758 |

Had the Tucson Project and the Presidio Project acquisitions occurred as of January 1, 2012, and the DMAFB Project and Valley Center Project acquisitions occurred as of January 1, 2013, the Company's consolidated results of operations would not have been materially different. For the nine months ended September 30, 2013 and for the year ended December 31, 2012, the Company recorded transaction related costs of \$2.1 million and \$1.1 million, respectively, in selling, general, and administrative expense for these investments.

5. Property, Equipment, Land and Leasehold Improvements

Property, equipment, land and leasehold improvements at September 30, 2013 and December 31, 2012 consist of the following (\$ in thousands):

| | September 30, 2013 | December 31, 2012 |
|---------------------------------|-----------------------|----------------------|
| Land | \$ 4,618 | \$ 4,618 |
| Easements | 5,624 | 5,624 |
| Buildings | 25,133 | 24,993 |
| Leasehold and land improvements | 340,929 | 337,632 |
| Machinery and equipment | 562,617 | 503,499 |
| Furniture and fixtures | 10,760 | 10,215 |

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

| | | |
|-----------------------------------------------------------|------------|------------|
| Construction in progress | 77,316 | 41,370 |
| Property held for future use | 1,975 | 1,768 |
| | 1,028,972 | 929,719 |
| Less: accumulated depreciation | (251,905) | (221,688) |
| Property, equipment, land and leasehold improvements, net | \$ 777,067 | \$ 708,031 |

As discussed in Note 4, Acquisitions , the Company acquired \$36.4 million and \$141.4 million, respectively, in machinery and equipment and construction in progress from the MIC Solar acquisitions during the third quarter of 2013 and fourth quarter of 2012, respectively.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

6. Intangible Assets

Intangible assets at September 30, 2013 and December 31, 2012 consist of the following (\$ in thousands):

| | September 30, 2013 | December 31, 2012 |
|--------------------------------|-----------------------|----------------------|
| Contractual arrangements | \$ 745,841 | \$ 745,841 |
| Non-compete agreements | 9,575 | 9,575 |
| Customer relationships | 79,445 | 79,445 |
| Leasehold rights | 2,121 | 3,330 |
| Trade names | 15,671 | 15,671 |
| Technology | 460 | 460 |
| | 853,113 | 854,322 |
| Less: accumulated amortization | (252,768) | (227,420) |
| Intangible assets, net | \$ 600,345 | \$ 626,902 |

The goodwill balance as of September 30, 2013 is comprised of the following (\$ in thousands):

| | |
|--------------------------------------------------------------|------------|
| Goodwill acquired in business combinations, net of disposals | \$ 637,139 |
| Less: accumulated impairment charges | (123,200) |
| Balance at September 30, 2013 | \$ 513,939 |

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 nine months ended September 30, 2013.

7. Long-Term Debt

At September 30, 2013 and December 31, 2012, the Company's consolidated long-term debt comprised the following (\$ in thousands):

| | September 30, 2013 | December 31, 2012 |
|-------------------|-----------------------|----------------------|
| Hawaii Gas | \$ 180,000 | \$ 180,000 |
| District Energy | 157,987 | 164,382 |
| Atlantic Aviation | 469,193 | 731,549 |

| | | |
|-----------------------|------------|--------------|
| MIC Solar | 115,510 | 83,233 |
| Total | 922,690 | 1,159,164 |
| Less: current portion | (168,005) | (106,580) |
| Long-term portion | \$ 754,685 | \$ 1,052,584 |

On May 31, 2013, Atlantic Aviation FBO Inc. (AA FBO) and Atlantic Aviation FBO Holdings LLC (Holdings), the direct parent of AA FBO, entered into a credit agreement (the AA Credit Agreement), that provides the business with a seven-year, \$465.0 million senior secured first lien term loan facility. The interest rate on this term loan facility floats at LIBOR plus 2.50%, with minimum LIBOR of 0.75%. The floating rate has effectively been fixed for 6 years at 4.698% using an interest rate swap. AA FBO and Holdings also entered into a five-year, \$70.0 million senior secured first lien revolving credit facility that bears interest at LIBOR plus 2.50%. Proceeds of the term loan facility, together with proceeds from the equity offering discussed in Note 9, Members Equity , and cash on hand were used to repay all of the amounts outstanding under Atlantic Aviation s existing credit agreement dated September 27, 2007.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

7. Long-Term Debt (continued)

The AA Credit Agreement provides for an uncommitted incremental facility that permits Atlantic Aviation, subject to certain conditions, to increase the term loan facility by up to \$50.0 million plus an additional amount if certain senior secured leverage ratio requirements are maintained.

Atlantic Aviation also has stand-alone debt facilities used to fund construction at its FBOs. At September 30, 2013, the balances on the stand-alone facilities were \$5.4 million. The Company has classified \$539,000 relating to the stand-alone debt facilities in the current portion of long-term debt in the consolidated condensed balance sheet at September 30, 2013.

The Company classified \$158.0 million relating to District Energy's debt in the current portion of long-term debt in the consolidated condensed balance sheet at September 30, 2013, as its debt facilities mature in September of 2014. During the nine months ended September 30, 2013 and in October of 2013, District Energy paid \$6.4 million and \$4.9 million, respectively, to its lenders.

As discussed in Note 4, Acquisitions, the Company acquired two solar businesses during the fourth quarter of 2012 and assumed \$83.2 million in term loan and construction loan debt. The portion that related to the project at Tucson, Arizona, upon substantial completion in December of 2012, was converted to a term loan. At September 30, 2013, \$58.2 million was outstanding, of which \$2.9 million was recorded as current portion of long-term debt. The portion that related to the project at Presidio, Texas, was a construction loan that was converted to a term loan in July of 2013. At September 30, 2013, \$24.7 million was outstanding on the term loan, of which \$953,000 was recorded as current portion of long-term debt.

During the third quarter of 2013, the Company acquired two solar businesses and assumed \$22.4 million in construction loan debt from the DMAFB Project acquisition. The construction loan is expected to convert to term debt upon reaching substantial completion of the project. At September 30, 2013, \$22.4 million was outstanding on the construction loan debt, of which \$646,000 was recorded as current portion of long-term debt.

In connection with the Valley Center Project acquisition, the Company borrowed \$10.2 million of construction loan debt, of which \$317,000 was recorded as current portion of long-term debt at September 30, 2013. The construction loan is expected to convert to term debt upon reaching substantial completion of the project.

8. 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 September 30, 2013, the Company had \$922.7 million of current and long-term debt, \$693.8 million of which was economically hedged with either an interest rate swap or an interest rate cap and \$228.9 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

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

8. Derivative Instruments and Hedging Activities (continued)

loss recorded under hedge accounting is also reclassified into earnings. The Company will reclassify into earnings \$1.1 million of net derivative losses, included in accumulated other comprehensive loss as of September 30, 2013, within the next 12 months.

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.

As discussed in Note 7, Long-Term Debt, Atlantic Aviation entered into a seven-year, \$465.0 million senior secured first lien term loan facility credit agreement on May 31, 2013. The interest rate on this term loan facility floats at LIBOR plus 2.50%, with a minimum LIBOR of 0.75%. At September 30, 2013, the term loan had an interest rate cap for \$550.0 million notional and will effectively cap LIBOR for this facility at 2.25%. Effective July 31, 2013, Atlantic Aviation entered into an interest rate swap for \$465.0 million notional that expires on July 31, 2019. This interest rate swap effectively fixes the interest rate on term loan at 4.698%.

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 September 30, 2013 and December 31, 2012 were as follows (\$ in thousands):

| Balance Sheet Location | | Assets (Liabilities) at Fair Value ⁽¹⁾ | |
|------------------------------------------|----------------------------------|---------------------------------------------------------------------|----------------------|
| | | Interest Rate Contracts Not Designated as Hedging Instruments | |
| | | September 30, 2013 | December 31, 2012 |
| Fair value of derivative instruments | non-current asset ⁽²⁾ | \$ 4 | \$ 95 |
| Fair value of derivative instruments | non-current asset ⁽²⁾ | 622 | |
| Total interest rate derivative contracts | asset ⁽²⁾ (3) | \$ 626 | \$ 95 |

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

| | | | |
|------------------------------------------|----------------------------------------|--------------|--------------|
| Fair value of derivative instruments | current liabilities ⁽³⁾ | \$ (13,336) | \$ (7,450) |
| Fair value of derivative instruments | non-current liabilities ⁽³⁾ | | (5,360) |
| Total interest rate derivative contracts | liabilities ⁽³⁾ | \$ (13,336) | \$ (12,810) |

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

(2) Derivative contracts represent interest rate caps.

(3) Derivative contracts represent interest rate swaps.

54

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC****NOTES TO CONSOLIDATED CONDENSED FINANCIAL
STATEMENTS
(Unaudited)****8. Derivative Instruments and Hedging Activities (continued)**

The Company's hedging activities for the quarter and nine months ended September 30, 2013 and 2012 and the related location within the consolidated condensed statements of operations were as follows (\$ in thousands):

| Financial Statement Account | | Derivatives Not Designated as Hedging Instruments | | | |
|-----------------------------|---------------------|-----------------------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------------|---------------------|
| | | Amount of Loss Recognized in Interest Expense for the Quarter Ended September 30, | | Amount of Loss Recognized in Interest Expense for the Nine Months Ended September 30, | |
| | | 2013 ⁽¹⁾ | 2012 ⁽²⁾ | 2013 ⁽¹⁾ | 2012 ⁽²⁾ |
| Interest expense | Interest rate cap | \$ (38) | \$ (164) | \$ (91) | \$ (164) |
| Interest expense | Interest rate swaps | (7,998) | (9,204) | (9,492) | (20,088) |
| Total | | \$ (8,036) | \$ (9,368) | \$ (9,583) | \$ (20,252) |

Net loss recognized in interest expense for the interest rate swap contracts for the quarter and nine months ended September 30, 2013 includes \$7.6 million and \$8.3 million, respectively, of unrealized derivative losses and (1) \$344,000 and \$1.2 million, respectively, of derivative losses reclassified from accumulated other comprehensive loss. Net loss recognized in interest expense for the quarter and nine months ended September 30, 2013 also includes \$38,000 and \$91,000, respectively, of unrealized derivative losses from an interest rate cap contract. Net loss recognized in interest expense for the interest rate swap contracts for the quarter and nine months ended September 30, 2012 includes \$6.1 million and \$14.6 million, respectively, of derivative losses reclassified from (2) accumulated other comprehensive loss and \$3.1 million and \$5.5 million, respectively, of unrealized derivative losses. Net loss recognized in interest expense for the quarter and nine months ended September 30, 2012 also includes \$164,000 of unrealized derivative losses from an interest rate cap contract.

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

9. Members Equity**LLC Interests**

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.

Shelf Registration Statement and MIC Direct

On April 8, 2013, the Company filed an automatic shelf registration statement on Form S-3 (shelf) with the Securities and Exchange Commission to issue and sell an indeterminate amount of its LLC Interests and debt securities in one or more future offerings. Along with the shelf, the Company filed a prospectus supplement with respect to a dividend reinvestment/direct stock purchase program named MIC Direct . The prospectus supplement relates to the issuance of up to 1.0 million additional LLC Interests to participants in MIC Direct. The Company may also choose to fill requests for reinvestment of dividends or share purchases through MIC Direct via open market purchases.

Equity Offering

On May 8, 2013, the Company completed an underwritten public offering and sale of 3,756,500 LLC Interests pursuant to the shelf. On May 16, 2013, the Company sold an additional 133,375 LLC Interests in this offering pursuant to the exercise of the underwriters over-allotment option. The Manager, as selling stockholder, sold 3,182,625 LLC Interests as part of this offering.

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC****NOTES TO CONSOLIDATED CONDENSED FINANCIAL
STATEMENTS
(Unaudited)****9. Members Equity (continued)**

The proceeds from the offering were \$217.8 million and \$178.2 million, respectively, to the Company and to the Manager, net of underwriting fees and expenses. The Company used the proceeds of the offering to partially repay the existing term loan at Atlantic Aviation as discussed in Note 7, Long-Term Debt .

Accumulated Other Comprehensive Loss

The following represents the changes and balances to the components of accumulated other comprehensive loss for the nine months ended September 30, 2013 and 2012.

| | Cash Flow Hedges, net of taxes ⁽¹⁾ | Post Retirement Benefit Plans, net of taxes | Translation Adjustment net of taxes ⁽²⁾ | Total Accumulated Other Comprehensive Loss, net of taxes | Noncontrolling Interests | Total Members' Accumulated Other Comprehensive Loss, net of taxes |
|------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------|
| Balance at December 31, 2011 | \$(10,337) | \$(18,911) | \$ 410 | \$(28,838) | \$ 1,426 | \$(27,412) |
| Reclassification of realized losses of derivatives into earnings | 8,252 | | | 8,252 | (598) | 7,654 |
| Translation adjustment | | | 104 | 104 | | 104 |
| Balance at September 30, 2012 | \$(2,085) | \$(18,911) | \$ 514 | \$(20,482) | \$ 828 | \$(19,654) |
| Balance at December 31, 2012 | \$(1,538) | \$(20,466) | \$ 514 | \$(21,490) | \$ 689 | \$(20,801) |
| Reclassification of realized losses of derivatives into earnings | 733 | | | 733 | (351) | 382 |
| Balance at September 30, 2013 | \$(805) | \$(20,466) | \$ 514 | \$(20,757) | \$ 338 | \$(20,419) |

(1) Reclassification of realized losses of derivatives is composed of (i) pre-tax derivative losses into interest expense of \$344,000 and \$1.2 million, respectively, and the related tax benefit of \$137,000 and \$463,000, respectively, in the

consolidated condensed statements of operations; and (ii) pre-tax derivative losses as an adjustment to investment in unconsolidated business of \$15,000 and \$47,000, respectively, and an adjustment to deferred taxes of \$5,000 and \$16,000, respectively, in the consolidated condensed balance sheet for the quarter and nine months ended September 30, 2013, respectively. For the quarter and nine months ended September 30, 2012, reclassification of realized losses of derivatives is composed of (i) pre-tax derivative losses into interest expense of \$6.1 million and \$14.6 million, respectively, and the related tax benefit of \$3.1 million and \$6.5 million, respectively, in the consolidated condensed statements of operations; and (ii) pre-tax derivative losses as an adjustment to investment in unconsolidated business of \$87,000 and \$261,000, respectively, and an adjustment to deferred taxes of \$30,000 and \$91,000, respectively, in the consolidated condensed balance sheet.

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

56

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

10. Reportable Segments

The Company's businesses consist of four reportable segments: Hawaii Gas, District Energy, Atlantic Aviation and MIC Solar. The Company also has a 50% investment in IMTT, which is accounted for using the equity method.

Financial information for IMTT's business as a whole is presented below (\$ in thousands):

| | As of, and for the Quarter Ended September 30, | | As of, and for the Nine Months Ended September 30, | |
|--------------------------------------------------------------|---------------------------------------------------|-----------|----------------------------------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenue | \$126,447 | \$118,601 | \$383,753 | \$350,368 |
| Net income | \$19,559 | \$16,384 | \$67,873 | \$53,809 |
| Interest expense, net | 9,376 | 10,533 | 17,099 | 28,914 |
| Provision for income taxes | 15,181 | 11,631 | 48,894 | 37,867 |
| Depreciation and amortization | 19,051 | 16,992 | 56,109 | 51,016 |
| Casualty losses, net | 200 | | 6,700 | |
| Other non-cash expense | 253 | 369 | 429 | 647 |
| EBITDA excluding non-cash items ⁽¹⁾ | \$63,620 | \$55,909 | \$197,104 | \$172,253 |
| Capital expenditures paid | \$29,154 | \$36,720 | \$119,652 | \$95,406 |
| Property, equipment, land and leasehold improvements, net | 1,256,643 | 1,159,773 | 1,256,643 | 1,159,773 |
| Total assets balance | 1,349,708 | 1,247,984 | 1,349,708 | 1,247,984 |

- (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.

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 Hawaii Gas 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 Hawaii Gas reflects fuel adjustment charges, or FACs, through which changes in fuel costs are passed through to customers.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

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

10. 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 statements 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.

The Atlantic Aviation business 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 airports in the U.S., of which there were 62 at September 30, 2013.

The revenue from the MIC Solar segment is included in revenue from product sales. As of October 28, 2013, the Company invested in five utility-scale photovoltaic power generation facilities that are located in the southwest United States that are expected to have an aggregate generating capacity of 57 megawatts of wholesale electricity to utilities and a U.S. Air Force base. As of September 30, 2013, the Company had invested in four of these facilities. Owners of solar photovoltaic power generation facilities sell substantially all of the electricity generated from these facilities at a fixed price to electric utilities pursuant to a long-term (typically 20 – 25 years) power purchase agreements. Segment information for MIC Solar is not presented for the period ended September 30, 2012 as all acquisitions were completed subsequently.

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC****NOTES TO CONSOLIDATED CONDENSED FINANCIAL
STATEMENTS
(Unaudited)****10. Reportable Segments (continued)**

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.

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

| | Quarter Ended September 30, 2013 | | | | Total Reportable Segments |
|-------------------------------|----------------------------------|-----------------|-------------------|-----------|---------------------------|
| | Hawaii Gas | District Energy | Atlantic Aviation | MIC Solar | |
| Revenue from Product Sales | | | | | |
| Product sales | \$ 28,488 | \$ | \$ 141,032 | \$ 2,649 | \$ 172,169 |
| Product sales - utility | 32,981 | | | | 32,981 |
| | 61,469 | | 141,032 | 2,649 | 205,150 |
| Service Revenue | | | | | |
| Other services | | 692 | 42,166 | | 42,858 |
| Cooling capacity revenue | | 5,780 | | | 5,780 |
| Cooling consumption revenue | | 9,114 | | | 9,114 |
| | | 15,586 | 42,166 | | 57,752 |
| Financing and Lease Income | | | | | |
| Financing and equipment lease | | 817 | | | 817 |
| | | 817 | | | 817 |
| Total Revenue | \$ 61,469 | \$ 16,403 | \$ 183,198 | \$ 2,649 | \$ 263,719 |

| | Quarter Ended September 30, 2012 | | | | Total Reportable Segments |
|----------------------------|----------------------------------|-----------------|-------------------|------------|---------------------------|
| | Hawaii Gas | District Energy | Atlantic Aviation | | |
| Revenue from Product Sales | | | | | |
| Product sales | | \$ 26,894 | \$ | \$ 139,491 | \$ 166,385 |
| Product sales - utility | | 35,535 | | | 35,535 |
| | | 62,429 | | 139,491 | 201,920 |
| Service Revenue | | | | | |
| Other services | | | 702 | 39,409 | 40,111 |
| Cooling capacity revenue | | | 5,613 | | 5,613 |

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

| | | | | |
|-------------------------------|-----------|-----------|------------|------------|
| Cooling consumption revenue | 10,490 | | | 10,490 |
| | 16,805 | 39,409 | | 56,214 |
| Financing and Lease Income | | | | |
| Financing and equipment lease | 1,119 | | | 1,119 |
| | 1,119 | | | 1,119 |
| Total Revenue | \$ 62,429 | \$ 17,924 | \$ 178,900 | \$ 259,253 |

59

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC****NOTES TO CONSOLIDATED CONDENSED FINANCIAL
STATEMENTS
(Unaudited)****10. Reportable Segments (continued)**

| | Nine Months Ended September 30, 2013 | | | | Total Reportable Segments |
|-------------------------------|--------------------------------------|--------------------|----------------------|--------------|---------------------------------|
| | Hawaii Gas | District Energy | Atlantic Aviation | MIC Solar | |
| Revenue from Product Sales | | | | | |
| Product sales | \$ 88,993 | \$ | \$ 417,305 | \$ 7,167 | \$ 513,465 |
| Product sales utility | 104,095 | | | | 104,095 |
| | 193,088 | | 417,305 | 7,167 | 617,560 |
| Service Revenue | | | | | |
| Other services | | 2,139 | 124,535 | | 126,674 |
| Cooling capacity revenue | | 17,197 | | | 17,197 |
| Cooling consumption revenue | | 16,282 | | | 16,282 |
| | | 35,618 | 124,535 | | 160,153 |
| Financing and Lease Income | | | | | |
| Financing and equipment lease | | 2,779 | | | 2,779 |
| | | 2,779 | | | 2,779 |
| Total Revenue | \$ 193,088 | \$ 38,397 | \$ 541,840 | \$ 7,167 | \$ 780,492 |

| | Nine Months Ended September 30, 2012 | | | | Total Reportable Segments |
|-------------------------------|--------------------------------------|--------------------|----------------------|--|---------------------------------|
| | Hawaii Gas | District Energy | Atlantic Aviation | | |
| Revenue from Product Sales | | | | | |
| Product sales | \$ 88,271 | \$ | \$ 420,197 | | \$ 508,468 |
| Product sales utility | 110,656 | | | | 110,656 |
| | 198,927 | | 420,197 | | 619,124 |
| Service Revenue | | | | | |
| Other services | | 2,023 | 120,502 | | 122,525 |
| Cooling capacity revenue | | 16,675 | | | 16,675 |
| Cooling consumption revenue | | 20,853 | | | 20,853 |
| | | 39,551 | 120,502 | | 160,053 |
| Financing and Lease Income | | | | | |
| Financing and equipment lease | | 3,448 | | | 3,448 |

| | | | | |
|---------------|------------|-----------|------------|------------|
| | | 3,448 | | 3,448 |
| Total Revenue | \$ 198,927 | \$ 42,999 | \$ 540,699 | \$ 782,625 |

In accordance with FASB ASC 280 *Segment Reporting*, the Company has disclosed earnings before interest, taxes, depreciation and amortization (EBITDA) excluding non-cash items as a key performance metric relied on by management in the evaluation of the Company's performance. Non-cash items include impairments, derivative gains and losses and adjustments for other non-cash items reflected in the statements of operations. The Company believes EBITDA excluding non-cash items provides additional insight into the performance of the 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. EBITDA excluding non-cash items is reconciled to net income or loss.

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC****NOTES TO CONSOLIDATED CONDENSED FINANCIAL
STATEMENTS
(Unaudited)****10. Reportable Segments (continued)**

EBITDA excluding non-cash items for the Company's consolidated reportable segments is shown in the tables below (\$ in thousands). Allocations of corporate expenses, intercompany fees and the tax effect have been excluded as they are eliminated on consolidation.

| | Quarter Ended September 30, 2013 | | | | |
|------------------------------------------------|----------------------------------|--------------------|----------------------|--------------|---------------------------------|
| | Hawaii Gas | District Energy | Atlantic Aviation | MIC Solar | Total Reportable Segments |
| Net income | \$ 4,827 | \$ 2,258 | \$ 7,569 | \$ 1,249 | \$ 15,903 |
| Interest expense, net | 2,097 | 1,275 | 11,481 | 897 | 15,750 |
| Provision (benefit) for income taxes | 3,191 | 1,584 | 5,185 | (27) | 9,933 |
| Depreciation | 1,849 | 1,620 | 6,094 | 2,096 | 11,659 |
| Amortization of intangibles | 311 | 329 | 7,978 | | 8,618 |
| Other non-cash expense (income) ⁽¹⁾ | 604 | 205 | (1) | (4,010) | (3,202) |
| EBITDA excluding non-cash items | \$ 12,879 | \$ 7,271 | \$ 38,306 | \$ 205 | \$ 58,661 |

(1) Other non-cash expense (income) for MIC Solar represents the adjustment for noncontrolling interest.

| | Quarter Ended September 30, 2012 | | | |
|---------------------------------|----------------------------------|--------------------|----------------------|------------------------------|
| | Hawaii Gas | District Energy | Atlantic Aviation | Total Reportable Segments |
| Net income | \$ 2,472 | \$ 2,226 | \$ 7,784 | \$ 12,482 |
| Interest expense, net | 5,695 | 2,065 | 7,381 | 15,141 |
| Provision for income taxes | 1,631 | 1,560 | 6,531 | 9,722 |
| Depreciation | 1,759 | 1,685 | 5,837 | 9,281 |
| Amortization of intangibles | 206 | 345 | 8,249 | 8,800 |
| Gain on disposal of assets | | | (1,850) | (1,850) |
| Other non-cash expense (income) | 869 | 156 | (39) | 986 |
| EBITDA excluding non-cash items | \$ 12,632 | \$ 8,037 | \$ 33,893 | \$ 54,562 |

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC****NOTES TO CONSOLIDATED CONDENSED FINANCIAL
STATEMENTS
(Unaudited)****10. Reportable Segments (continued)**

| | Nine Months Ended September 30, 2013 | | | | Total Reportable Segments |
|------------------------------------------------|--------------------------------------|--------------------|----------------------|--------------|---------------------------------|
| | Hawaii Gas | District Energy | Atlantic Aviation | MIC Solar | |
| Net income | \$ 16,196 | \$ 2,563 | \$ 26,613 | \$ 1,242 | \$ 46,614 |
| Interest expense, net | 5,040 | 3,793 | 20,206 | 2,121 | 31,160 |
| Provision for income taxes | 10,669 | 1,797 | 18,009 | 1,175 | 31,650 |
| Depreciation | 5,573 | 5,021 | 17,983 | 5,174 | 33,751 |
| Amortization of intangibles | 935 | 997 | 23,934 | | 25,866 |
| Loss on extinguishment of debt | | | 2,434 | | 2,434 |
| Loss on disposal of assets | | | 106 | | 106 |
| Loss from customer contract termination | | 1,626 | | | 1,626 |
| Other non-cash expense (income) ⁽¹⁾ | 1,592 | 413 | (116) | (6,555) | (4,666) |
| EBITDA excluding non-cash items | \$ 40,005 | \$ 16,210 | \$ 109,169 | \$ 3,157 | \$ 168,541 |

(1) Other non-cash expense (income) for MIC Solar represents the adjustment for noncontrolling interest.

| | Nine Months Ended September 30, 2012 | | | | Total Reportable Segments |
|---------------------------------|--------------------------------------|--------------------|----------------------|--|------------------------------|
| | Hawaii Gas | District Energy | Atlantic Aviation | | |
| Net income | \$ 14,338 | \$ 3,098 | \$ 20,426 | | \$ 37,862 |
| Interest expense, net | 9,102 | 6,521 | 23,448 | | 39,071 |
| Provision for income taxes | 9,343 | 2,171 | 15,815 | | 27,329 |
| Depreciation | 5,191 | 5,036 | 17,513 | | 27,740 |
| Amortization of intangibles | 617 | 1,027 | 24,248 | | 25,892 |
| Gain on disposal of assets | | | (1,803) | | (1,803) |
| Other non-cash expense (income) | 2,671 | 425 | (268) | | 2,828 |
| EBITDA excluding non-cash items | \$ 41,262 | \$ 18,278 | \$ 99,379 | | \$ 158,919 |

TABLE OF CONTENTS**MACQUARIE INFRASTRUCTURE COMPANY LLC****NOTES TO CONSOLIDATED CONDENSED FINANCIAL
STATEMENTS
(Unaudited)****10. Reportable Segments (continued)**

Reconciliation of total reportable segments EBITDA excluding non-cash items to consolidated net income (loss) before income taxes are as follows (\$ in thousands):

| | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------------------------------------------|--------------------------------|-----------|------------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Total reportable segments EBITDA excluding non-cash items | \$58,661 | \$54,562 | \$168,541 | \$158,919 |
| Interest income | 39 | 110 | 182 | 116 |
| Interest expense | (15,767) | (15,144) | (31,190) | (39,076) |
| Depreciation ⁽¹⁾ | (11,659) | (9,281) | (33,751) | (27,740) |
| Amortization of intangibles | (8,618) | (8,800) | (25,866) | (25,892) |
| Loss on extinguishment of debt | | | (2,434) | |
| Gain (loss) on disposal of assets | | 1,850 | (106) | 1,803 |
| Loss from customer contract termination | | | (1,626) | |
| Selling, general and administrative corporate | (1,278) | (2,005) | (4,987) | (9,221) |
| Fees to manager | (15,242) | (29,353) | (76,912) | (39,108) |
| Equity in earnings and amortization charges of investee | 8,576 | 6,989 | 30,327 | 23,295 |
| Other (expense) income, net | (634) | (807) | 1,070 | (2,281) |
| Total consolidated net income (loss) before income taxes | \$14,078 | \$(1,879) | \$23,248 | \$40,815 |

(1) Depreciation includes depreciation expense for District Energy, which is reported in cost of services in the consolidated condensed statement of operations.

Capital expenditures for the Company's reportable segments were as follows (\$ in thousands):

| | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|-------------------|--------------------------------|----------|------------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Hawaii Gas | \$ 5,357 | \$ 3,816 | \$ 15,402 | \$ 11,371 |
| District Energy | 26 | 645 | 559 | 1,092 |
| Atlantic Aviation | 5,511 | 5,649 | 16,255 | 12,980 |
| MIC Solar | 2,090 | | 19,219 | |

| | | | | |
|-------|-----------|-----------|-----------|-----------|
| Total | \$ 12,984 | \$ 10,110 | \$ 51,435 | \$ 25,443 |
|-------|-----------|-----------|-----------|-----------|

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

10. Reportable Segments (continued)

Property, equipment, land and leasehold improvements, goodwill and total assets for the Company's reportable segments as of September 30th were as follows (\$ in thousands):

| | Property, Equipment, Land and Leasehold Improvements | | Goodwill | | Total Assets | |
|-------------------|------------------------------------------------------------|------------|------------|------------|--------------|--------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Hawaii Gas | \$ 178,954 | \$ 164,088 | \$ 120,193 | \$ 120,193 | \$ 380,933 | \$ 375,911 |
| District Energy | 131,761 | 137,880 | 17,946 | 18,647 | 200,782 | 215,141 |
| Atlantic Aviation | 259,010 | 257,128 | 375,800 | 375,800 | 1,315,977 | 1,356,770 |
| MIC Solar | 207,342 | | | | 229,639 | |
| Total | \$ 777,067 | \$ 559,096 | \$ 513,939 | \$ 514,640 | \$ 2,127,331 | \$ 1,947,822 |

Reconciliation of reportable segments' total assets to consolidated total assets (\$ in thousands):

| | As of September 30, | |
|-------------------------------------|---------------------|--------------|
| | 2013 | 2012 |
| Total assets of reportable segments | \$ 2,127,331 | \$ 1,947,822 |
| Investment in IMTT | 86,554 | 125,299 |
| Corporate and other | 35,289 | 89,770 |
| Total consolidated assets | \$ 2,249,174 | \$ 2,162,891 |

11. Related Party Transactions

Management Services Agreement with Macquarie Infrastructure Management (USA) Inc. (the Manager)

At September 30, 2013 and December 31, 2012, the Manager held 3,738,873 LLC Interests and 5,480,929 LLC Interests, respectively, of the Company. Pursuant to the terms of the management services agreement, or Management Agreement, the Manager may sell these LLC interest at any time. As discussed in Note 9, Members' Equity, as part of the Company's equity offering completed in May of 2013, the Manager sold 3,182,625 of its LLC Interests and received proceeds of \$178.2 million, net of underwriting fees and expenses. Under the Management Agreement, the Manager, at its option, may reinvest performance fees and base management fees in LLC Interests of the Company.

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

Since January 1, 2012, the Company paid the Manager cash dividends on LLC Interests held for the following periods:

| Declared | Period Covered | \$ per LLC Interest | Record Date | Payable Date | Amount Paid to Manager (in thousands) |
|-------------------|------------------------|---------------------------|----------------------|----------------------|---------------------------------------------------|
| October 25, 2013 | Third quarter 2013 | \$0.875 | November 11, 2013 | November 14, 2013 | \$ ⁽¹⁾ |
| July 29, 2013 | Second quarter 2013 | \$0.875 | August 12, 2013 | August 15, 2013 | \$ 2,744 |
| April 26, 2013 | First quarter 2013 | \$0.6875 | May 13, 2013 | May 16, 2013 | \$ 1,872 |
| December 12, 2012 | Fourth quarter 2012 | \$0.6875 | December 24, 2012 | December 28, 2012 | \$ 3,768 |
| October 29, 2012 | Third quarter 2012 | \$0.6875 | November 12, 2012 | November 15, 2012 | \$ 3,290 |
| July 30, 2012 | Second quarter 2012 | \$0.625 | August 13, 2012 | August 16, 2012 | \$ 2,920 |
| April 30, 2012 | First quarter 2012 | \$0.20 | May 14, 2012 | May 17, 2012 | \$ 905 |
| February 01, 2012 | Fourth quarter 2011 | \$0.20 | March 05, 2012 | March 08, 2012 | \$ 878 |

⁽¹⁾ The amount of dividend payable to the Manager for the third quarter of 2013 will be determined on November 11, 2013, the record date.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

11. Related Party Transactions (continued)

Under the Management Agreement, the Manager manages the Company's day-to-day operations and oversees the management teams of the Company's operating businesses. In addition, the Manager has the right to appoint the Chairman of the Board of the Company and an alternate, subject to minimum equity ownership, and to assign, or second, to the Company, two of its employees to serve as chief executive officer and chief financial officer of the Company and second or makes other personnel available as required.

In accordance with the Management Agreement, the Manager is entitled to a base management fee based primarily on the Company's market capitalization, and potentially a performance fee, based on the performance of the Company's stock relative to the applicable utilities index. For the quarter and nine months ended September 30, 2013, the Company incurred base management fees of \$8.3 million and \$23.5 million, respectively, and performance fees of \$6.9 million and \$53.4 million, respectively, payable to the Manager. The Manager elected to reinvest the base management and performance fees in additional LLC Interests. For the quarter and nine months ended September 30, 2012, the Company incurred base management fees of \$5.8 million and \$15.6 million, respectively, payable to the Manager. For the quarter and nine months ended September 30, 2012, the Company recorded a performance fee payable of \$23.5 million to the Manager.

The unpaid portion of the base management fees and performance fees at the end of each reporting period is included in due to manager-related party in the consolidated condensed balance sheets. The following table shows the Manager's election to reinvest its base management fees and performance fees, if any, in additional LLC Interests:

| Period | Base Management Fee Amount (\$ in thousands) | Performance Fee Amount (\$ in thousands) | LLC Interests Issued | Issue Date |
|---------------------|----------------------------------------------|------------------------------------------|----------------------|--------------------|
| 2013 Activities: | | | | |
| Third quarter 2013 | \$ 8,336 | \$ 6,906 | (1) | (1) |
| Second quarter 2013 | 8,053 | 24,440 | 603,936 | September 04, 2013 |
| First quarter 2013 | 7,135 | 22,042 | 522,638 | June 05, 2013 |
| 2012 Activities: | | | | |
| Fourth quarter 2012 | \$ 6,299 | \$ 43,820 | 980,384 | March 20, 2013 |
| Third quarter 2012 | 5,844 | 23,509 | 695,068 | December 05, 2012 |
| Second quarter 2012 | 4,760 | | 113,847 | August 30, 2012 |
| First quarter 2012 | 4,995 | | 147,682 | May 31, 2012 |

(1) LLC interests for the third quarter of 2013 base management and performance fee will be issued to the Manager during the fourth quarter of 2013.

The Manager is not entitled to any other compensation and all costs incurred by the Manager, including compensation of seconded staff, are paid by the Manager out of its base management fee. However, the Company is responsible for other direct costs including, but not limited to, expenses incurred in the administration or management of the Company and its subsidiaries and investments, income taxes, audit and legal fees, acquisitions and dispositions and its compliance with applicable laws and regulations. During the quarter and nine months ended September 30, 2013, the Manager charged the Company \$137,000 and \$426,000, respectively, for reimbursement of out-of-pocket expenses compared with \$145,000 and \$345,000, for the quarter and nine months ended September 30, 2012, respectively. The unpaid portion of the out-of-pocket expenses at the end of the reporting period is included in due to manager-related party in the consolidated condensed balance sheets.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

11. Related Party Transactions (continued)

Second Amended and Restated Management Service Agreement

On September 30, 2013, Macquarie Infrastructure Company LLC entered into a Second Amended and Restated Management Services Agreement (the "Amended Agreement"), among the Company, Macquarie Infrastructure Company Inc. and the Manager. The amendments to the agreement revise the payment mechanics related to the base management fee payable by the Company to the Manager, and align the share price used to calculate the base management fee with the share price at which the Manager may reinvest the base management fee in LLC Interests. Effective October 1, 2013, pursuant to the Amended Agreement, base management fees will be calculated and payable monthly rather than quarterly. Performance fees will continue to be calculated and, if generated, paid quarterly. No substantive changes to the formulas or methodology used to calculate the amount of the base management or performance fees that may be due to the Manager were made. The Amended Agreement also makes certain non-substantive changes to eliminate parties and provisions that are no longer relevant.

Advisory and Other Services from the Macquarie Group

The Macquarie Group, and wholly-owned subsidiaries within the Macquarie Group, including Macquarie Bank Limited, or MBL, and Macquarie Capital (USA) Inc., or MCUSA, have provided various advisory and other services and incurred expenses in connection with the Company's equity raising activities, acquisitions and debt structuring for the Company and its businesses. Underwriting fees are recorded in members' equity as a direct cost of equity offerings. Advisory fees and out-of-pocket expenses relating to acquisitions are expensed as incurred. Debt arranging fees are deferred and amortized over the term of the credit facility.

During 2013, the Company engaged MCUSA as Joint Bookrunner in connection with the refinancing of the long-term debt facilities of Atlantic Aviation. Atlantic Aviation closed the refinancing on May 31, 2013. Atlantic Aviation paid \$4.0 million to MCUSA for such services, of which \$12,000 related to out-of-pocket expenses.

As discussed in Note 9, "Members' Equity", the Company completed an underwritten public offering and sale of LLC interests in May 2013. MCUSA served as a joint book-running manager and an underwriter in this offering and received \$2.4 million from the Company for such services.

During the fourth quarter of 2012, MIC engaged MCUSA in connection with its ongoing initiative to bring Liquefied Natural Gas to the state of Hawaii. During the nine months ended September 30, 2013, the business incurred \$132,000, of which \$7,000 related to out-of-pocket expenses incurred in the first quarter of 2013, in fees to MCUSA for such services.

During 2012, MIC engaged MCUSA as a Joint Bookrunner and Lead Placement Agent on the refinancing of a portion of Hawaii Gas' s long-term debt facilities. MIC incurred and paid \$100,000 in fees to MCUSA relating to the services provided.

Long-Term Debt

As discussed in Note 7, Long-Term Debt, Atlantic Aviation entered into a credit agreement on May 31, 2013. The credit agreement provides for a seven-year, \$465.0 million senior secured first lien term loan facility and a five-year, \$70.0 million senior secured first lien revolving credit facility. The \$70.0 million revolving credit facility is provided by various financial institutions, including MBL which provides \$15.7 million. At September 30, 2013, the revolving credit facility remains undrawn. For the quarter and nine months ended September 30, 2013, Atlantic Aviation incurred \$18,000 and \$27,000, respectively, in commitment fees related to MBL' s portion of the revolving credit facility.

Derivative Instruments and Hedging Activities

The Company had derivative instruments in place to fix the interest rate on certain outstanding variable rate term loan facilities. Prior to the refinancing of Hawaii Gas' debt in August of 2012, Hawaii Gas had

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

11. Related Party Transactions (continued)

\$160.0 million of its term loans hedged, of which MBL was providing the interest rate swaps for a notional amount of \$48.0 million. The remainder of the swaps were from an unrelated third party. During 2012, up to the date of refinancing, Hawaii Gas made payments to MBL of \$1.0 million in relation to these swaps.

On August 8, 2012, Hawaii Gas completed the refinancing of its long-term debt facilities. At the same time, Hawaii Gas paid off the outstanding balance on its interest rate swap totaling \$8.7 million, of which \$2.6 million was paid to MBL.

Other Transactions

Macquarie, through the Macquarie Insurance Facility (MIF), has an aggregated insurance buying program. By combining the insurance premiums of Macquarie owned and managed funds, MIF has been able to deliver very competitive terms to businesses that participate in the facility. MIF earns a commission from the insurers. No payments were made to MIF by the Company during the nine months ended September 30, 2013 and 2012. In February of 2013, the Company renewed its Directors and Officers liability insurance utilizing several of the MIF insurers.

Atlantic Aviation, Hawaii Gas, District Energy and MIC Solar purchase and renew property and casualty insurance coverage on an ongoing basis from insurance underwriters who then pay commissions to MIF. For the nine months ended September 30, 2013 and 2012, no payments were made directly to MIF for property and casualty insurance.

Atlantic Aviation entered into a copiers lease agreement with Macquarie Equipment Finance, or MEF, an indirect subsidiary of Macquarie Group Limited. For the quarter and nine months ended September 30, 2013 and 2012, Atlantic Aviation incurred \$6,000 and \$17,000, respectively, in lease expense on these copiers. As of September 30, 2013 and 2012, Atlantic Aviation had prepaid the October monthly payment to MEF for \$2,000, which is included in prepaid expenses in the consolidated condensed balance sheet for respective periods.

Hawaii Gas entered into licensing agreements with Utility Service Partners, Inc. and America's Water Heater Rentals, LLC, both indirect subsidiaries of Macquarie Group Limited, to enable these entities to offer products and services to Hawaii Gas's customer base. No payments were made under these arrangements during the nine months ended September 30, 2013 and 2012.

Macquarie Energy North America Trading Inc., or MENAT, an indirect subsidiary of Macquarie Group Limited, entered into an agreement with IMTT to rent a 147,000 barrel tank for one month during the quarter ended September 30, 2012. IMTT recorded revenue from MENAT of \$151,000 for this transaction. As of September 30, 2012, IMTT

had a receivable balance of \$122,000, which was subsequently collected.

In 2008, Macquarie Global Opportunities Partners, or MGOP, a private equity fund managed by the Macquarie Group, acquired Sentient Flight Group (Sentient), a jet membership, retail charter and fuel management business. Sentient was an existing customer of Atlantic Aviation. On May 31, 2012, MGOP sold its interest in Sentient to a third party. For the five months ended May 31, 2012, Atlantic Aviation recorded \$9.3 million in revenue from Sentient. As of September 30, 2012, Atlantic Aviation had no receivables from Sentient.

In addition, the Company and several of its subsidiaries have entered into a licensing agreement with the Macquarie Group related to the use of the Macquarie name and trademark. The Macquarie Group does not charge the Company any fees for this license.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE COMPANY LLC

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

12. Income Taxes

The Company expects to incur federal consolidated taxable income for the year ending December 31, 2013, which will be fully offset by the Company's federal NOL carryforwards. The Company believes that it will be able to utilize its federal prior year NOLs, except for approximately \$7.8 million. The Company has not provided a valuation allowance against any deferred tax assets generated in the nine months ended September 30, 2013, except for approximately \$2.6 million for certain state NOLs. Two of the Company's businesses, IMTT and District Energy, are less than 80% owned by the Company and those businesses file separate federal consolidated income tax returns.

Uncertain Tax Positions

At December 31, 2012, the Company and its subsidiaries had a reserve of approximately \$472,000 for benefits taken during 2012 and prior tax periods attributable to tax positions for which the probability of recognition is considered to be less than more likely than not. During the nine months ended September 30, 2013, the Company concluded that the reserve is no longer required. Approximately \$362,000 of the reserve was used in settling an audit of the Company.

The balance of the reserve has been reflected in the Company's income tax expense for the nine months ended September 30, 2013. The Company does not expect to establish an additional reserve for the year ended December 31, 2013.

13. Legal Proceedings and Contingencies

The subsidiaries of MIC Inc. are subject to legal proceedings arising in the ordinary course of business. In management's opinion, the Company has adequate legal defenses and/or insurance coverage with respect to the eventuality of such actions, and does not believe the outcome of any pending legal proceedings will be material to the Company's financial position or result of operations.

14. Subsequent Events

Dividend

On October 25, 2013, the board of directors declared a dividend of \$0.875 per share for the quarter ended September 30, 2013, which is expected to be paid on November 14, 2013 to holders of record on November 11, 2013.

IMTT Third Quarter 2013 Distribution

Distributions calculated in accordance with the Shareholders' Agreement between MIC and its co-investor in IMTT (Voting Trust) for the third quarter of 2013 were \$40.9 million (\$20.5 million per shareholder). On October 24, 2013, the Board of IMTT unanimously declared a distribution of this amount. The third quarter of 2013 distribution is expected to be paid on or about October 30, 2013.

Solar Acquisition Ramona

On October 8, 2013, the Company completed the acquisition of the contracted solar power generation facility located near Ramona, California (the Ramona Project) for a purchase price of \$6.1 million. This was funded by a capital investment by the Company. This facility is expected to provide approximately 7 megawatts of wholesale electricity.

In connection with the acquisition, the Company entered into a construction loan and drawdown \$10.4 million in construction financing. The Ramona Project is expected to commence operations during the first quarter of 2014.

Upon commencement of operations, the construction loan is expected to convert to term debt. The Ramona acquisition will be accounted for as a business combination. Accordingly, the results of operations of the Ramona Project will be included in the consolidated statement of operations as of the acquisition date.

TABLE OF CONTENTS

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

There have been no changes to legal proceedings set forth under Part I, Item 3 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed with the SEC on February 20, 2013, and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2013, filed with SEC on April 29, 2013.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth under Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed with the SEC on February 20, 2013, except for the following:

Hawaii Gas SNG Plant Feedstock

Certain information in the risk factor entitled *Disruptions or shutdowns at either of the oil refineries in Oahu from which Hawaii Gas obtains both LPG and the primary feedstock for its SNG plant may have an adverse effect on the operations of the business* has been updated by the information in Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Hawaii Gas Contribution Margin and Operating Income in Part I above, which is incorporated by reference herein.

IMTT Governance Matters

The risk factor entitled *We share ownership and voting control of IMTT with a third party co-investor. A representative and beneficiary of that co-investor is currently the CEO of IMTT. Our ability to exercise significant influence over the business or level of distributions from IMTT is limited, and we have been, and we may again be negatively impacted by disagreements with our co-investor regarding IMTT's business and operations* has been updated as follows:

We own 50% of IMTT; the remaining 50% is owned by a trust for the benefit of members of IMTT's founding family.

Disputes with our co-investor have resulted in arbitration in 2012. While MIC prevailed in this arbitration, it was costly and diverted the attention of our management and there was a time delay in receiving the distributions to which we were entitled. To the extent that our co-investor and IMTT senior management again act in ways inconsistent with their obligations under the Shareholders' Agreement, further arbitration or litigation may be necessary to enforce MIC's rights. A member of the founding family currently manages the day to day operations of IMTT, and our ability to influence the business is governed by (and may be limited to) our rights under the Shareholders' Agreement governing our investment in IMTT. Because we do not directly manage the day to day operations of IMTT (in contrast to our other assets, including Hawaii Gas and Atlantic Aviation), we may not be provided with notice of material events with respect to IMTT in as timely a manner and with the same level of detail as we would if we were in such a day to day management role. Because we do not manage directly the day to day operations of IMTT, we do not have complete visibility into IMTT's operational and financial systems, controls or processes, including among others, as they relate to environmental, health and safety (EHS) measures. In addition, because IMTT management may not fully apprise us

of relevant financial or operational matters, we may not be able to evaluate whether such financial, operational, or EHS systems or controls are sufficiently robust or executed appropriately. The possible failure of IMTT to use adequate financial, operational, and EHS systems or controls could negatively affect the value of the business and its ability to serve as a satisfactory counterparty to customers who demand such systems or controls and could potentially result in penalties from regulatory agencies. Our co-investor may again fail to act in compliance with the Shareholders Agreement and may have other business interests that are inconsistent with our interests and goals, and may again take actions that are contrary to our business objectives and requests. For example, management, operating under the express or implied direction of the CEO or the co-investor, may oppose MIC's interests in dealings with lenders, contractors, customers, suppliers, regulators and other third party stakeholders, as well MIC's interests in normal business planning and budgeting processes. Similarly, for purposes opposed to or different than MIC's,

TABLE OF CONTENTS

management, operating under the express or implied direction of the CEO or the co-investor, may bring forward in time maintenance capital expenditures, expand the scope of maintenance capital expenditure projects, increase maintenance capital expenditures to more than has been properly approved, bring forward supplier payments and tax payments to reduce distributions and/or free cash flow in any reporting period, and/or categorize growth capital expenditures as maintenance capital expenditures in a manner with which we disagree. We may not agree with our co-investor or IMTT's management as to the payment, amount or timing of distributions or as to transactions such as capital expenditures, acquisitions or dispositions of assets and financings. In addition, we may not receive from management all of the financial and operating data that we request on a timely basis or at all. If MIC determines that litigation and/or arbitration is the optimal path to secure MIC's interest and preserve MIC's rights, MIC will commence such litigation or arbitration as it has in the past.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

An exhibit index has been filed as part of this Report on page E-1 and is incorporated herein by reference.

TABLE OF CONTENTS

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MACQUARIE INFRASTRUCTURE COMPANY LLC

By:

Dated: October 28, 2013

/s/ James Hooke

Name: James Hooke

Title: Chief Executive Officer

By:

Dated: October 28, 2013

/s/ Todd Weintraub

Name: Todd Weintraub

Title: Chief Financial Officer

TABLE OF CONTENTS

EXHIBIT INDEX

| Number | Description |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1 | Third Amended and Restated Operating Agreement of Macquarie Infrastructure Company LLC (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the SEC on June 22, 2007) |
| 3.2 | Amended and Restated Certificate of Formation of Macquarie Infrastructure Assets LLC (incorporated by reference to Exhibit 3.8 of Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-116244)) |
| 10.1 | Second Amended and Restated Management Services Agreement, dated as of September 30, 2013, among Macquarie Infrastructure Company LLC, Macquarie Infrastructure Company Inc. and Macquarie Infrastructure Management (USA) Inc. (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on October 7, 2013) |
| 31.1* | Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer |
| 31.2* | Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer |
| 32.1** | Section 1350 Certification of Chief Executive Officer |
| 32.2** | Section 1350 Certification of Chief Financial Officer |
| 101.0* | The following materials from the Quarterly Report on Form 10-Q of Macquarie Infrastructure Company LLC for the quarter ended September 30, 2013, filed on October 28, 2013, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Condensed Balance Sheets as of September 30, 2013 (Unaudited) and December 31, 2012, (ii) the Consolidated Condensed Statements of Operations for the Quarters and Nine Months Ended September 30, 2013 and 2012 (Unaudited), (iii) the Consolidated Condensed Statements of Comprehensive Income for the Quarters and Nine Months Ended September 30, 2013 and 2012 (Unaudited), (iv) the Consolidated Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012 (Unaudited) and (v) the Notes to Consolidated Condensed Financial Statements (Unaudited). |

*
**

Filed herewith.
Furnished herewith.

E-1