

30 July 2010

MACQUARIE KOREA INFRASTRUCTURE FUND
REPORTS HALF-YEAR FINANCIAL AND TRAFFIC RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010



Macquarie Korea Infrastructure Fund (MKIF) today announced its interim financial results for the six months ended 30 June 2010 (the "Period"), together with the traffic results for the Period.

Highlights for the Period include:

- MKIF successfully completed two capital management transactions¹ (the Transactions), resulting in one-off capital gains of KRW 7.1 billion during the Period.
- On a non-consolidated basis, MKIF's revenue and net income increased by 6.5% and 4.4% to KRW 81.2 billion and KRW 52.3 billion, respectively, compared with the prior corresponding period (pcp). Excluding the one-off gains, revenue decreased by 7.3% mainly due to the decrease in interest income resulting from the divestment of assets² since 2009. The expense on pcp rose by circa 10.5% mainly on increase in interest expenses.
- The performance of the underlying assets has been solid. On a weighted average basis³, actual traffic volume and revenues of the underlying assets increased compared to pcp by 4.1% and 6.2%, respectively. During the second quarter of 2010, the four newly opened assets⁴ have reached approximately 76% of the Concession Agreement forecast volume⁵ compared with 65% recorded for the previous quarter.
- The construction of Busan New Port Phase 2-3, the only remaining asset under construction in MKIF's portfolio, is progressing on track without any delays or cost overruns. MKIF has approximately KRW 98.4 billion of outstanding commitments remaining to this project until the construction completion scheduled in December 2011.
- MKIF remains financially healthy with conservative capital positions
 - Conservative debt profile and scheduled de-gearing of asset level debt
 - Proportionately consolidated cash balance⁶ of KRW 467.5 billion
 - Current MKIF net debt of KRW 193.3 billion with corporate loan facility not maturing until November 2014
 - Proportionately consolidated gearing⁷ of 51% with 53% of interest obligations either fixed or hedged⁸ for next 12 months
 - MRG (minimum revenue guarantee) backing on substantially all of MKIF's current operating cash receipts

1 Divestment of the subordinated loan provided to Seosuwon-Osan-Pyungtaek Expressway and the 2nd Tranche securitisation of the interest receivables on the subordinated loan provided to Cheonan-Nonsan Expressway

2 Divestment of Incheon Grand Bridge senior loan and Seosuwon-Osan-Pyungtaek subordinated loan

3 The weighted average growth rates in traffic and revenue are weighted by reference to revenues and MKIF's percentage ownership interest in each concession company. Excludes all new assets which have commenced operation since July 2009

4 Yongin-Seoul Expressway, Seoul-Chuncheon Expressway, Seoul Subway Line 9 Section 1 and Incheon Grand Bridge

5 Weighted average basis based on total commitment amount and daily traffic volume

6 Proportionately consolidated cash balance (including MKIF cash balance of KRW 204.7bn)

7 Gearing = MKIF Net Debt / (MKIF Net Debt + MKIF market capital(3-month average)), where MKIF Net Debt = Proportionate net debt from assets + Corporate net debt. Excludes shareholder loans

8 Hedging (Fixed or swapped to fixed) = Proportionately consolidated MKIF net debt adjusted for fixed or swapped debt / Proportionately consolidated MKIF net debt

Mr. Chul Hum Paik, the Representative Director of Macquarie Shinhan Infrastructure Asset Management Co. Ltd. (“MSIAM”), said: “MKIF has a diversified and well balanced portfolio with resilient assets that benefit from inflation-linked and government subsidised revenues, and the solid financial results delivered again for the Period is a reflection of these embedded attributes. The growth in the actual traffic and revenues across the portfolio is also encouraging, particularly for the newer assets which on average has delivered a 18.5%⁹ growth in average daily traffic from the previous quarter.”

“We were also successful on the capital management front, delivering two value accretive transactions during the Period. Capital management continues to be an important management agenda and a number of similar transactions are currently under review and targeted for completion with next 6 to 18 months. These transactions represent important source of cash for managing MKIF level debt as well as for funding new investments or distributions,” concluded Mr. Paik.

Summary of Income Statements

(Unit: KRW million)

	Six month to 30 June 2010	Six month to 30 June 2009
Revenue	81,157	76,230
Interest income	74,007	79,878
Capital gain (loss)	7,148	(3,575) ⁴
Other income (loss)	2	(73)
Operating Expenses	28,821	26,095
Management fee	11,229	11,594
Interest expense ²	13,183	11,266
Other expenses	4,409 ³	3,235
Net Income	52,336	50,135

1. Includes one-off gains from (i) 2nd tranche securitisation of interest receivables on the subordinated loan provided to Cheonan-Nonsan Expressway of KRW249mn and (ii) divestment of the subordinated loan provided to Seosuwon-Osan-Pyungtaek Expressway of KRW6,899mn
2. Increase in interest expense mainly due to increase in interest margin
3. Includes one-off Transaction related costs
4. Capital loss from the 1st tranche securitisation of the interest receivables on the subordinated loan provided to Cheonan-Nonsan Expressway

Traffic Results

Asset	2010 2 nd Quarter		2010 First Half	
	Traffic (%)	Revenue (%) [†]	Traffic (%) [†]	Revenue (%) [†]
Weighted average growth	4.9%	6.3%	4.1%	6.2%

1. Percentage increase from prior corresponding period, based on average daily traffic
2. Percentage increase from prior corresponding period, based on average daily revenue

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⁹ Weighted average basis based on total commitment amount and daily traffic volume

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Appendix1. Financial results (Unaudited, non-consolidated basis)

BALANCE SHEETS

As at 30 June 2010 and 30 June 2009

(Unit: KRW millions)

	30 June 2010	30 June 2009
Assets		
I . Invested Assets	1,898,722	2,015,883
Cash & deposits	204,724	332,888
Loans receivable	1,073,269	1,082,440
Equity securities	620,729	600,555
II . Others	197,348	152,677
Interest receivables	178,330	138,624
Other receivables	3,911	3,308
Deferred costs, net	15,107	10,745
Total Assets	2,096,070	2,168,560
Liabilities		
Payables	1	9,599
Management fee payable	5,579	5,735
Other liabilities	2,807	3,019
Long-term debt	397,979	433,658
Total Liabilities	406,366	452,011
Shareholders' Equity		
I . Share Capital	1,670,986	1,670,986
II . Retained Earnings	18,718	45,563
Total Shareholders' Equity	1,689,704	1,716,549
Total Liabilities and Shareholders' Equity	2,096,070	2,168,560

1. Pursuant to the Financial Investment Services and Capital Market Act, MKIF reports all its unlisted equity investments at acquisition cost. These are unaudited numbers and as such may be subject to change.

INCOME STATEMENTS

For the half year ended 30 June 2010 and 30 June 2009

(Unit: KRW million)

	Half year Ended 30 June 2010	Half year Ended 30 June 2009
I . Revenue	81,157	76,230
Interest income	74,007	79,878
Loan Arrangement Fees	-	144
Gain (loss) on valuation of debt securities	-	(290)
Gain (loss) on sale of investment	7,148	(3,575) ⁴
Other income	2	73
II . Expenses	28,821	26,095
Management fees	11,229	11,594
Custodian fees	166	169
Administrator fees	145	147
Interest expense ²	13,183	11,266
Other expenses	4,098 ³	2,919
III . Net Income	52,336	50,135
1.	Includes one-off gains from (i) 2 nd tranche securitisation of interest receivables on the subordinated loan provided to Cheonan-Nonsan Expressway of KRW249mn and (ii) divestment of the subordinated loan provided to Seosuwon-Osan-Pyungtaek Expressway of KRW6,899mn	
2.	Increase in interest expense mainly due to increase in interest margin	
3.	Includes one-off Transaction related costs	
4.	Capital loss from the 1st tranche securitisation of the interest receivables on the subordinated loan provided to Cheonan-Nonsan Expressway	

CASHFLOW STATEMENTS

For the half year ended 30 June 2010 and 30 June 2009

(Unit:KRW million)

	Half year Ended 30 June 2010	Half year Ended 30 June 2009
Cashflows from operating activities:		
Cash inflows from operating activities	79,283	252,313
Sale of investment	29,786	183,051
Interest income and other	42,232	67,463
Collection of other loans receivable	7,265	1,799
Cash outflows from operating activities:	(66,220)	(109,426)
Investments	(53,543)	(91,259)
Fees and expenses	(12,677)	(18,167)
Net cash provided by (used in) operating activities	13,063	142,887
Cashflows from financing activities:		
Drawdown from long-term debts	5,000	82,000
Distributions paid	(53,033)	(74,411)
Net cash provided by (used in) financing activities	(48,033)	7,589
Net increase in cash and deposits	(34,970)	150,476
Cash and deposits at beginning of the period	239,694	182,412
Cash and deposits at end of the period	204,724	332,888

Appendix 2. Traffic and Revenue

1. TRAFFIC VOLUME AND TRAFFIC REVENUE - PORTFOLIO SUMMARY

On a weighted average basis, traffic and revenue increased by 4.9% and 6.3%, respectively, during the second quarter (the “Quarter”), when compared to pcp. On the same basis, traffic and revenue for the Period increased by 4.1% and 6.2%, respectively, on pcp. The traffic growth was generally attributable to the improving economy resulting in a higher number of road users with particularly strong performance from Machang Bridge, Woomyunsan Tunnel and Gwangju Second Beltway Section 3-1, and Cheonan-Nonsan Expressway.

The revenue growth recorded by the concession companies in which MKIF invests reflects inflation linked toll rate increases, and may also be influenced by changes to the traffic mix, between heavy and light vehicles, for which different toll rates apply.

Asset	2010 Second Quarter		2010 First Half		% of MKIF Portfolio
	Traffic (%)	Revenue (%)	Traffic (%)	Revenue (%)	
Incheon International Airport Expressway	(14.1%)	(6.6%)	(13.3%)	(6.1%)	6.2
Baekyang Tunnel	3.0%	3.1%	2.7%	2.8%	0.2
Gwangju Second Beltway, Section 3-1	17.0%	16.8%	15.3%	20.7%	5.6
Gwangju Second Beltway, Section 1	4.4%	4.6%	(0.1%)	8.3%	10.7
Woomyunsan Tunnel	14.9%	14.9%	12.4%	12.4%	1.1
Cheonan-Nonsan Expressway	11.2%	14.2%	10.1%	12.4%	15.2
Soojungsan Tunnel	3.9%	4.0%	3.9%	4.3%	7.3
Daegu 4th Beltway East	5.3%	5.3%	4.3%	4.2%	5.0
Machang Bridge	22.5%	2.2%	24.5%	4.1%	5.6
Yongin-Seoul Expressway	NA	NA	NA	NA	7.6
Seoul-Chuncheon Expressway	NA	NA	NA	NA	7.6
Seoul Subway Line 9, Section1	NA	NA	NA	NA	4.2
Incheon Grand Bridge	NA	NA	NA	NA	9.2
Weighted Average	4.9%	6.3%	4.1%	6.2%	-

- Percentage increase from prior corresponding period, based on average daily traffic
- Percentage increase from prior corresponding period, based on average daily revenue.
- Percentage based on total commitments by MKIF to all investments in the MKIF portfolio.
- Excludes four new assets opened in 2009

2. TRAFFIC AND REVENUE - INDIVIDUAL CONCESSION COMPANY PERFORMANCE

For the purposes of this analysis, traffic for each toll road asset is calculated as the average daily traffic volume. Except as stated otherwise, revenue for each toll road asset represents actual average daily revenue collected (excluding VAT). Actual revenue collected does not include minimum revenue compensation payments received from the relevant government authority or other minor forms of compensation received. Accordingly, revenue performance in the concession companies is not a direct guide to the revenue performance of MKIF.

Incheon International Airport Expressway

Category	PCP			Year on Year		
	Q2 2009	Q2 2010	% change	1H 2009	1H 2010	% change
Average daily traffic (vehicles / day)	63,196	54,261	(14.1%)	60,336	52,303	(13.3%)
Average daily revenue (1,000 won)	362,856	338,761	(6.6%)	349,722	328,262	(6.1%)

Note: Traffic for the Quarter decreased compared to PCP due to the opening of the Incheon Grand Bridge in October 2009. This decrease was accounted for in the Concession Agreement forecast.

Baekyang Tunnel

Category	PCP			Year on Year		
	Q2 2009	Q2 2010	% change	1H 2009	1H 2010	% change
Average daily traffic (vehicles / day)	66,996	68,978	3.0%	65,651	67,416	2.7%
Average daily revenue (1,000 won)	48,746	50,234	3.1%	47,745	49,088	2.8%

Note: Traffic and revenue for the Quarter increased compared to PCP in line with the recovery of the container throughput volume in Busan port. Based on the request by the Busan Metropolitan City (BMC), the toll rates have remained unchanged since August 2007. BMC in return has been compensating for the incremental toll revenue foregone by the concession company in accordance with the Concession Agreement.

Gwangju Second Beltway, Section 3-1

Category	PCP			Year on Year		
	Q2 2009	Q2 2010	% change	1H 2009	1H 2010	% change
Average daily traffic (vehicles / day)	28,761	33,647	17.0%	27,678	31,910	15.3%
Average daily revenue (1,000 won)	25,510	29,803	16.8%	23,402	28,239	20.7%

Note: Strong traffic growth compared to PCP is mainly due to the increase in traffic from the Section 4 which opened to traffic in July 2007. Higher growth in revenue than volume is due to the toll rate increase from KRW900 to KRW1,000 in April 2009.

Gwangju Second Beltway, Section 1

Category	PCP			Year on Year		
	Q2 2009	Q2 2010	% change	1H 2009	1H 2010	% change
Average daily traffic (vehicles / day)	34,979	36,521	4.4%	34,546	34,526	(0.1%)
Average daily revenue (1,000 won)	36,073	37,722	4.6%	32,893	35,610	8.3%

Note: Higher growth in revenue than volume mainly due to the toll rate increase from KRW1,000 to KRW1,200 in April 2009.

Woomyunsan Tunnel

Category	PCP			Year on Year		
	Q2 2009	Q2 2010	% change	1H 2009	1H 2010	% change
Average daily traffic (vehicles / day)	23,129	26,585	14.9%	22,425	25,214	12.4%
Average daily revenue (1,000 won)	40,118	46,083	14.9%	38,898	43,704	12.4%

Note: Strong traffic growth compared to PCP is mainly due to the diverted traffic inflow from the Seoul-Busan Expressway.

Cheonan-Nonsan Expressway

Category	PCP			Year on Year		
	Q2 2009	Q2 2010	% change	1H 2009	1H 2010	% change
Average daily traffic (vehicles / day)	33,845	37,650	11.2%	32,724	36,016	10.1%
Average daily revenue (1,000 won)	254,123	290,154	14.2%	245,480	275,998	12.4%

Note: Traffic and revenue for the Quarter increased compared to PCP mainly due to the additional traffic inflow from Daejeon-Dangjin Expressway which opened to traffic in May 2009. The higher growth in revenue than volume is due to the toll increase from KRW8,300 to KRW8,400 in December 2009.

Soojungsan Tunnel

Category	PCP			Year on Year		
	Q2 2009	Q2 2010	% change	1H 2009	1H 2010	% change
Average daily traffic (vehicles / day)	39,196	40,730	3.9%	38,555	40,076	3.9%
Average daily revenue (1,000 won)	29,407	30,583	4.0%	28,882	30,128	4.3%

Note: Traffic and revenue for the Quarter increased compared to PCP in line with the recovery of the container throughput volume in Busan ports. Based on the request by the Busan Metropolitan City (BMC), the toll rates have remained unchanged since August 2007. BMC in return has been compensating for the incremental toll revenue foregone by the concession company in accordance with the Concession Agreement.

Daegu 4th Beltway East

Category	PCP			Year on Year		
	Q2 2009	Q2 2010	% change	1H 2009	1H 2010	% change
Average daily traffic (vehicles / day)	18,942	19,951	5.3%	18,350	19,131	4.3%
Average daily revenue (1,000 won)	18,995	20,005	5.3%	18,401	19,183	4.2%

Note: Based on the request by the Daegu Metropolitan City (DMC), the toll rates have remained unchanged since operation commencement. DMC in return has been compensating for the incremental toll revenue foregone by the concession company in accordance with the Concession Agreement.

Machang Bridge

Category	PCP			Year on Year		
	Q2 2009	Q2 2010	% change	1H 2009	1H 2010	% change
Average daily traffic (vehicles / day)	11,774	14,420	22.5%	10,989	13,678	24.5%
Average daily revenue (1,000 won)	25,390	25,939	2.2%	23,615	24,576	4.1%

Note: As agreed with Gyeongsangnam-do Province (GSND), the timing of the MRG payments has been expedited and in return the toll rate has been reduced to KRW 2,000 from KRW 2,400, effective from 1 September 2009 until the end of 2010.

Yongin-Seoul Expressway

Category	PCP			Year on Year		
	Q2 2009	Q2 2010	% change	1H 2009	1H 2010	% change
Average daily traffic (vehicles / day)	N/A	53,217	N/A	N/A	48,764	N/A
Average daily revenue (1,000 won)	N/A	85,465	N/A	N/A	78,265	N/A

Note: Yongin-Seoul Expressway has commenced its toll operation on 1 July 2009. Average daily traffic volume up to the end of the Quarter was 67% of CA forecast.

Seoul-Chuncheon Expressway

Category	PCP			Year on Year		
	Q2 2009	Q2 2010	% change	1H 2009	1H 2010	% change
Average daily traffic (vehicles / day)	N/A	34,567	N/A	N/A	31,559	N/A
Average daily revenue (1,000 won)	N/A	220,338	N/A	N/A	200,077	N/A

Note: Seoul-Chuncheon Expressway has commenced its toll operation on 15 July 2009. Average daily traffic volume up to the end of Quarter was 77% of CA forecast.

Seoul Subway Line 9, Section 1

Category	PCP			Year on Year		
	Q2 2009	Q2 2010	% change	1H 2009	1H 2010	% change
Average daily traffic (passengers / day)	N/A	174,512	N/A	N/A	168,325	N/A
Average daily revenue (1,000 won)	N/A	124,963	N/A	N/A	121,189	N/A

* Excludes inter-charge passengers

Note: Seoul Subway Line 9, Section 1 has commenced its operation on 24 July 2009. As requested by Seoul Metropolitan City (SMC), the initial fare has been temporarily set at KRW 900 for the first year of operation, and based on the actual volume of initial boarding and transfer passengers, the fare will be re-set in October 2010. The fare difference for the first year of operation will be compensated in the form of MRG or toll fare adjustments. Average daily initial boarding during Quarter was 98% of CA forecast.

Incheon Grand Bridge

Category	PCP			Year on Year		
	Q2 2009	Q2 2010	% change	1H 2009	1H 2010	% change
Average daily traffic (vehicles / day)	N/A	25,913	N/A	N/A	23,778	N/A
Average daily revenue (1,000 won)	N/A	125,133	N/A	N/A	115,204	N/A

Note: Incheon Grand Bridge has commenced its toll operation on 19 October 2009. Average daily traffic volume up to the end of Quarter was 73% of CA forecast.

3. PRIOR PERIOD COMPENSATION PAYMENTS RECEIVED FROM GOVERNMENT AUTHORITIES

The concession companies receive revenue compensation payments from the relevant government authority in addition to revenue received from traffic. Generally, revenue compensation and other compensation payments are received within 6 to 18 months after the end of the year to which they relate to.

MRG Receivables for the FY2009 have been received from the relevant government authority as the table shows below.

(Unit: KRW billion)

Asset Name	MRG receivable for 2009	Received Amount	Remaining according to Concession Agreement	
			Amount	Due date without additional interest
Incheon International Airport Expressway	101.7	101.8	-	June 2010
Baekyang Tunnel	2.9	2.9	-	April 2010
Gwangju Second Beltway, Section 1	15.3	11.1	4.2	December 2010
Gwangju Second Beltway, Section 3-1	6.0	4.3	1.7	December 2010
Woomyunsan Tunnel	49.9	49.9	-	January 2010
Cheonan-Nonsan Expressway	50.2	50.2	-	December 2010
Soojungsan Tunnel	7.7	7.7	-	April 2010
Daegu 4 ⁺ Beltway East	18.9	11	7.9 ¹⁾	June 2010
Machang Bridge	11.9	10.8	1.1 ²⁾	February 2010
Yongin-Seoul Expressway	3.9	-	3.9	February 2011
Seoul-Chuncheon Expressway	0.9	-	0.9	February 2011
Seoul Subway Line 9, Section 1	14.3	8.6	5.7	December 2010
Incheon Grand Bridge	1.4	-	1.4	August 2010

Note:

¹ Expect payment by December with deferred interest

² Expect payment by August with deferred interest