



Macquarie International Infrastructure Fund Limited

SGX Quarterly Report 30 June 2006

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Review of Macquarie International Infrastructure Fund Limited Performance

Comparison of Actual Results against the Circular Forecasts

Macquarie International Infrastructure Fund Limited ("MIIF" or the "Company"), and its subsidiaries (collectively referred to as the "Group"), performed in line with all forecasts. All investments within the portfolio paid equity distributions consistent with the forecasts distributions that were set out in the MIIF Circular dated 15 November 2005 (the "Circular").

Based on this performance, the Board of Directors of MIIF have declared a dividend of 3.95 cents per share for the six months ended 30 June 2006, which is consistent with guidance previously provided. This dividend will be paid on 13 September 2006. The Company has also restated dividend guidance of 4.00 cents per share for the 6 months ending 31 December 2006, and further stated that based on the demonstrated ability of the assets within the portfolio to generate stable and predictable cash flows that grow over time, the directors believe that this level of dividend payout to MIIF shareholders is sustainable and is expected to grow over time as well.

INCOME STATEMENT ANALYSIS

The following table compares the unaudited actual results for the six months ended 30 June 2006 to the forecasts included in the Circular for the same period. The table details net income of \$45.6 million (before items not included in the Circular forecast) (herein referred to as "Adjusted Net Income") compared to a Circular forecast of \$39.8 million. This table also details those items which are included in the actual financial performance of the Group (as shown on page 12), but were not included in the Circular forecast. The impact of these items was taken into account and disclosed in the Circular and, as noted in the Circular, will not impact the ability of the Group to meet its ongoing dividend guidance issued. All figures in the table below are relate to the period 1 January 2006 to 30 June 2006, and are unaudited.

	Adjusted Net Income \$'000	Circular Forecast \$'000
Revenue		
Distribution income	13,132	13,336
Investment income	37,445	33,951
Interest income	715	51
Total investment revenue	51,292	47,338
Expenses		
Management fees	(5,598)	(6,176)
Directors' fees	(120)	(120)
Borrowing costs	(617)	(539)
Other operating income/(expenses)	621	(658)
Total operating expenses	(5,714)	(7,493)
Adjusted Net Income	45,578	39,845
Income items not included in Circular forecast		
Net gain on the movement in the fair value of MIIF's financial assets	5,295	-
Foreign exchange gain	1,113	-
Expense item not included in Circular forecast		
Expense incurred when establishing debt facilities	(1,389)	-
Net income on an unconsolidated basis	50,597	39,845
Consolidation adjustments to Net Income	(6,107)	-
Net income on a consolidated basis	44,490	39,845

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Comparison of Actual Results against the Circular Forecasts (continued)

Review of net income

Consolidated profit after income tax as presented in the Consolidated Income Statement disclosed on page 12 of this report is \$33.4 million for the quarter and \$44.5 million for the year to date. The table below reconciles the Adjusted Net Income as disclosed on page 1 of this report, to the Consolidated profit after income tax as disclosed on page 12.

	Adjusted Net Income Year to date 30 June 2006 \$'000 Unaudited (1)	GAAP Adjustments Year to date 30 June 2006 \$'000 Unaudited (2)	TanQuid Year to date 30 June 2006 \$'000 Unaudited (3)	Consolidation Adjustments Year to date 30 June 2006 \$'000 Unaudited (4)	MIIF Group Year to date 30 June 2006 \$'000 Unaudited (5)
Income					
Distribution income	13,132	(13,132)	-	-	-
Investment income	37,445	(37,445)	-	-	-
Storage revenue	-	-	40,112	-	40,112
Interest revenue	715	-	59	-	774
Net foreign exchange gain/(loss)	-	1,113	1	-	1,114
Net gain on financial assets at fair value through profit or loss	-	55,872	4,149	(12,697)	47,324
Total income	51,292	6,408	44,321	(12,697)	89,324
Expenses					
Base management and performance fee	5,598	-	-	-	5,598
Finance costs	617	1,389	3,903	-	5,909
Directors fees	120	-	-	-	120
Employee benefits expense	-	-	11,789	-	11,789
Depreciation	-	-	7,254	-	7,254
Other operating expenses	(621) ⁽⁶⁾	-	14,785	-	14,164
Total expenses	5,714	1,389	37,731	-	44,834
Profit before income tax	45,578	5,019	6,590	(12,697)	44,490
Income tax expense	-	-	-	-	-
Profit after income tax	45,578	5,019	6,590	(12,697)	44,490

(1) This is Adjusted Net Income as presented on page 1 of this report.

(2) These are the adjustments that must be made to Adjusted Net Income to arrive at Unconsolidated Net Income prepared in accordance with all applicable accounting standards.

(3) This is the net income of TanQuid that must be consolidated into MIIF in accordance with all applicable accounting standards.

(4) This is a consolidation adjustment only, and reverses a portion of the net revaluation gains recognised in the unconsolidated income statement of MIIF that cannot be recognised in the consolidated income statement of MIIF, as required by all applicable accounting standards.

(5) This is the Consolidated Net Income of the MIIF Group as disclosed on page 12 of this report.

(6) Other expenses for the year to date are a net credit due to the reversal of expenses previously provided for, for which the actual expense item was lower.

Adjusted Net Income represents the earnings of MIIF that underpin the payment of dividends to MIIF shareholders, and is the measure that the Board of Directors of MIIF focus on to determine the amount of dividends that are ultimately paid to MIIF shareholders.

Adjusted Net Income for the year to date is \$45.6 million, which compares favourably to forecast net income on an adjusted basis of \$39.8 million for the same period. The out performance of \$5.8 million is due to greater than forecast revenue being received from MIIF's investments, primarily a result of strong operational performance by way of maximised revenues and firm cost controls. Several of MIIF's investments, such as Brussels Airport and TanQuid, reported EBITDA growth for the period relative to the prior corresponding period. This is a continuation of the strong performance that was reported in the first quarter of this year, and the 2005 financial year.

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Comparison of Actual Results against the Circular Forecasts (continued)

Certain of MIIF's assets did not declare their dividends or distributions to shareholders in time for MIIF to recognise such dividends and distributions as earnings during the period which the asset generated the funds to pay such dividends. These items are typically declared and paid by these assets soon after period end, but before the payment of the MIIF dividend for the period, and as such form part of the funds used to pay the MIIF dividend. Taking these items into account, along with the Adjusted Net Income of \$45.6 million, MIIF's investments will have generated earnings for the 6 months to 30 June 2006 in excess of \$51.0 million, which demonstrates that the dividend of 3.95 cents per share to be paid to MIIF shareholders on 13 September 2006 is covered wholly by operating cash flows of MIIF.

Review of distribution and investment income

As disclosed on page 1 of this report, year to date distribution and investment income of \$51.3 million was \$4.0 million ahead of the forecast for the same period. As noted above, all of MIIF's investments performed well, enabling them to pay distributions to shareholders that were in line with or ahead of forecast. This is reflective of the stable and predictable cash flows that such infrastructure assets generate.

Distribution income of \$13.1 million represents distributions declared by MIIF's listed investments, being Macquarie Airports ("MAp"), Macquarie Communications Infrastructure Group ("MCG"), Diversified Utility Energy Trusts ("DUET") and Macquarie Infrastructure Company ("MIC"). MAp, MCG and DUET are listed on the Australian Stock Exchange. MIC is listed on the New York Stock Exchange. MAp, MCG and DUET declare distributions payable to their security holders at the end of each six month period ending June and December. MIC declares distributions payable to its security holders at the end of each calendar quarter. MIIF typically recognises distribution income from all of its listed investments in the period in which the distribution has been declared.

Investment income of \$37.4 million represents distributions declared by MIIF's unlisted investments, including the Macquarie European Infrastructure Fund ("MEIF"), Arqiva, Brussels Airport, Novera Macquarie Renewable Energy Joint Venture Limited ("NMRE"), Canadian Aged Care, TanQuid and the Changshu Xinghua Port ("CXP"). MEIF declares distributions payable to its investors during the September and March quarters. Arqiva and Brussels Airport each declare preliminary interim and year end distributions payable to their investors during the June and December quarters. A final year end distribution is declared payable to their investors during the September quarter. Canadian Aged Care declares distributions payable to its investors at the end of each month. TanQuid declares distributions payable to its investors at the end of the June and December quarters. CXP declares an annual distribution payable to its investors during the March quarter.

In the income statement on page 12, distribution and investment income are shown as part of "Net gain on financial assets at fair value through profit or loss" in accordance with our accounting policies and International Financial Reporting Standards.

Review of expenses

As disclosed on page 1 of this report, year to date expenses incurred are \$5.7 million, which compares favourably to the expenses that were forecast to be incurred of \$7.5 million. This is due to lower than forecast base management fees incurred during the period. Base management fees payable to Macquarie Infrastructure Management (Asia) Pty Limited ("MIMAL" or the "Manager") were below forecast due to a lower than expected share price.

Review of income items not included in Circular forecast:

- Net gain on the movement in the fair value of MIIF's financial assets
As disclosed on page 1 of this report, the net gain on the movement in the fair value of MIIF's financial assets of \$5.3 million represents the change in the fair value of these assets during the 6 month period ended 30 June 2006. These gains do not represent cash inflows, and are recognised in our income statement as required under our accounting policies and applicable International Financial Reporting Standards.

Overall, MIIF's investments have increased in value in response to operational out performance observed within the assets which has resulted from the initiatives which we have introduced under our active asset management approach. Other opportunities may arise within certain of our assets that create even further value such as new contracts entered into, or capital management opportunities. This in turn increases the value of these assets.

During the quarter and the year to date, the value of our listed investments decreased by \$11.1 million and \$10.1 million respectively. These losses are unrealised and do not represent cash outflows from MIIF. An interest is held in these entities to gain exposure to the quality infrastructure assets held by these entities, which adds a further layer of diversification to the MIIF portfolio, and also contributes stable and reliable cash flows to MIIF. MIIF's intention is to maintain an interest in these entities for the foreseeable future, and as such the losses recognised will not be realised in the near term. It is the view of the Board of Directors of MIIF that the downward movement in the value of these securities is short term and does not reflect a permanent loss of value, and it is just as likely that these assets will return to the price at which MIIF acquired them, and continue to rise further.

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Comparison of Actual Results against the Circular Forecasts (continued)

The net gain on financial assets at fair value as shown in the income statement on page 12 differs from the above amount due to a difference in MIIF's accounting policies between the Circular and this period end report.

- **Foreign exchange gain**

As disclosed on page 1 of this report, the reported foreign exchange gain of \$1.1 million has been generated by non-Singapore dollar denominated balances held by MIIF's other than non-Singapore dollar denominated investment balances. This includes foreign currency bank accounts, debtors and creditors. The foreign exchange gain reflects the increasing value of these items as a result of a general weakening of the Singapore dollar observed over the period.

Review of expense items not included in Circular forecast:

- **Expense incurred when establishing debt facilities**

As disclosed on page 1 of this report, costs of \$1.4 million were incurred by MIIF when establishing debt facilities in the first quarter of this year. The Circular forecast did not include these establishment fees.

MIIF now has total debt facilities that it may draw on at short notice in excess of \$500 million. As at 30 June 2006, \$37.7 million had been drawn on these facilities to fund MIIF's investment into the Macquarie European Infrastructure Fund, an unlisted partnership that invests in UK and European infrastructure assets, in which MIIF has a 6.32% interest.

ANALYSIS OF MIIF'S BALANCE SHEET

Review of net assets

Overall, MIIF's stand alone net assets have increased from \$1,260.8 million as at 31 December 2005 to \$1,271.7 million as at 30 June 2006. This is attributable to the increase in the value of MIIF's investments, as well as the earnings generated during the period. This represents a Net Asset Value ("NAV") of \$0.99 per share.

Group net assets have also increased from \$1,261.3 million as at 31 December 2005 to \$1,270.2 million as at 30 June 2006, due primarily to the net asset movement within the Company's net assets as noted above.

Review of trade and other receivables

Company trade and other receivables have increased from \$18.2 million as at 31 December 2005 to \$22.0 million as at 30 June 2006. The balance relates to dividend receivables from MIIF's investments. These amounts will be received within 2 months of 30 June 2006.

Group trade and other receivables have decreased from \$39.1 million as at 31 December 2005 to \$23.6 million as at 30 June 2006. The remaining balance at 30 June 2006 reflects dividend receivables from MIIF's investments as noted above, and also a small portion of rent receivable from TanQuid customers for the provision of oil storage services. The large decrease in this balance over the period reflects the receipt of cash from many of the TanQuid customers.

Review of current financial assets held at their fair value

Company current financial assets held at their fair value have decreased from \$3.2 million as at 31 December 2005 to \$1.8 million as at 30 June 2006. This balance reflects the fair value of the foreign currency forward contracts that MIIF has entered into to hedge the forecast distributions that it expects to receive from its investments for a period of at least 12 months looking forward. The decrease in the value of these foreign currency forward contracts reflects the general weakening in the Singapore dollar against the currencies, to which MIIF is exposed, including the Australian dollar, the US dollar, the Great British Pound and the Euro.

Group current financial assets held at their fair value have increased from \$3.2 million as at 31 December 2005 to \$4.6 million as at 30 June 2006. The difference between the group and stand alone balance is the fair value of the interest rate swaps that TanQuid has entered into to hedge its exposure to floating interest rates that arises as a result of the floating rate borrowings that it is party to. As at 31 December 2005, these interest rate swaps were a net liability, as the fixed swap rate that TanQuid was paying was greater than the then current floating rate. There has been a general increase in European interest rates, and this has result in a change in the fair value of these interest rate swaps from the net liability position as previously reported, to a net receivable position as at 30 June 2006.

Review of property, plant and equipment

Property, plant and equipment of \$280.1 million relate to the tank storage facilities in Germany and other property, plant and equipment owned by TanQuid.

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Comparison of Actual Results against the Circular Forecasts (continued)

Review of non-current financial assets held at their fair value

Company non-current financial assets held at their fair value have increased from \$1,207.5 million as at 31 December 2005 to \$1,251.9 million as at 30 June 2006. This balance reflects the fair value of all of MIIF investments as at 30 June 2006. The increase is due to an additional investment made into MEIF, and also a general increase in the value of the MEIF investment portfolio as at 30 June 2006.

MIIF fair values all of its investments in its Company accounts. The value of the listed investments is based on the closing price of each security on the last trading day in the quarter. The value of the unlisted investments is based on a detailed financial model that is developed to calculate a value for which the asset could be sold to a willing buyer under normal conditions.

Review of non-current financial assets held at their fair value (continued)

Group non-current financial assets held at their fair value have increased from \$1,125.1 million as at 31 December 2005 to \$1,167.5 million as at 30 June 2006. This balance continues to reflect the fair value of all of MIIF investments, except TanQuid, which is eliminated on consolidation.

Review of goodwill

Goodwill of \$85.6 million has arisen on the acquisition of TanQuid and represents the excess of the amount paid for TanQuid over the fair value of the net identifiable assets of TanQuid as at the date of acquisition. MIIF is still in the process of performing a detailed fair value assessment of all assets and liabilities acquired and in accordance with the International Financial Reporting Standard, IFRS 3, any changes identified as a result of this process to the fair value of the assets acquired and liabilities assumed will be reflected as an adjustment to goodwill. In accordance with IFRS 3, this assessment will be completed within twelve months from the date of acquisition of TanQuid. The change since 31 December 2005 is due to a partial refund of the purchase price as required by the sale agreements to adjust for acquired working capital balances, the uplift in the fair value of the acquired land and buildings which has reduced goodwill, and the effects of foreign exchange movements.

Review of trade and other payables

Stand alone trade and other payables has decreased from \$14.7 million as at 31 December 2005 to \$6.7 million as at 30 June 2006, and reflects the management fees that are payable to MIIF's manager, Macquarie Infrastructure Management (Asia) Pty Limited for the quarters ended 31 March 2006 and 30 June 2006. The balance as at 31 December 2005 included costs payable by MIIF with respect to the second capital raising that was completed during November 2005. These have since been paid.

Group trade and other payables mainly relate to trade and other creditors payable by TanQuid. The TanQuid liabilities account for \$29.2 million of the reported balance at 30 June 2006, and represent liabilities for lease rentals and other minor trade creditors.

Review of borrowings

Stand alone borrowings have increased from NIL as at 31 December 2005 to \$37.7 million as at 30 June 2006. As noted above, this reflects the borrowings incurred in order to fund MIIF's additional investment into MEIF during the period.

Group borrowings have increased from \$247.6 million as at 31 December 2005 to \$289.3 million as at 30 June 2006. The movement is due to the increase in borrowings within the stand alone company. The remainder of the borrowings relate to the borrowings of TanQuid.

Further details regarding MIIF's borrowings are provided on page 6.

Review of provisions

Provisions of \$16.7 million arise only on consolidation of TanQuid, and relate to storage site rehabilitation obligations and long-term employee benefits.

Review of deferred income tax liabilities

Deferred tax liabilities of \$2.3 million arise on consolidation and relate to the acquisition of TanQuid.

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Comparison of Actual Results against the Circular Forecasts (continued)

ANALYSIS OF BORROWINGS

As at 30 June 2006, MIIF had total borrowings of \$295.0 million outstanding. Further details are set out on page 19 of this report. Borrowings of \$257.2 million are recognised on consolidation of TanQuid. The funds relating to these borrowings were used to fund the business acquired by TanQuid.

During May 2006 a commitment draw down notice was received from MEIF of €18.9 million (\$37.7 million) which was funded with a \$37.7 million draw down on MIIF's debt facilities. This transaction increased the quantum of MIIF's non-current liabilities between 31 December 2005 and 30 June 2006.

ANALYSIS OF CASH FLOWS

MIIF generated stand alone net operating cash flows of \$49.0 million during the period from 1 January 2006 to 30 June 2006. These cash flows, added to the income that MIIF was entitled to at the end of the period and accordingly accrued, taken together with distributions from MIIF's investments that MIIF will become entitled to and receive prior to the date of payment of the June 2006 dividend, will be used to fund the payment of the June 2006 dividend. The sum of these amounts is expected to be \$74.5 million. The total of the June 2006 dividend payment that will be made on 13 September 2006 is \$50.5 million.

Investment Portfolio Analysis

MIIF's investment portfolio consists of a diverse range of infrastructure assets, spread across 7 countries and 11 infrastructure sectors. This mix of infrastructure sector exposure and country exposure result in a uniquely diversified infrastructure investment portfolio that provide many yield enhancing benefits, which is extremely difficult to replicate.

MIIF's economic and legal interests in each of its assets range from as little as 2% up to 100%.

An update on each of MIIF's investments is provided below.

■ Arqiva (formerly ntl Broadcast)

Arqiva is one of only two TV broadcast transmission operators in the UK and the second largest independent wireless site leasing provider in the UK. Arqiva provides transmission services to TV and radio broadcasters, site leasing to mobile phone and other wireless telecommunication companies and radio services to police, fire and ambulance services.

During May 2006 BBC announced that it had selected Arqiva as its preferred supplier for a range of new digital transmission services. These transmission services will become operational over the period from 2008 to 2012 and will continue until 2031.

MIIF has an 8.69% direct interest in Arqiva plus an additional 2.64% indirect interest held through its investment in Macquarie Communications Infrastructure Group (MCG), an Australian Stock Exchange (ASX) listed fund.

■ Brussels Airport

Brussels Airport is the largest airport in Belgium with 16.2 million passengers in 2005, representing approximately 85% of total Belgian airline passenger traffic.

Brussels Airport reported EBITDA growth of over 18% for the 2005 financial year. This strong performance was reflected in the higher forecast distributions received by MIIF from Brussels Airport.

MIIF has a 3.21% direct interest in Brussels Airport plus an additional 1.81% indirect interest held through its investment in Macquarie Airports, an ASX listed group, and its investment in Macquarie European Infrastructure Fund.

■ Novera Macquarie Renewable Energy Joint Venture Limited ("NMRE")

NMRE owns and operates electricity generation projects across 60 sites in the UK, with a total capacity of 144 MW, of which, 122 MW is currently operational. Electricity is generated from renewable sources such as landfill gas, hydro and wind.

On 21 October 2005 NMRE announced that it had acquired additional landfill gas assets in the UK for a consideration of £11 million. MIIF contributed equity of £1.9 million to partly fund the acquisition.

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Investment Portfolio Analysis (continued)

MIIF has a 50.00% interest in NMRE through its wholly owned subsidiary, Macquarie Renewables Limited.

■ Macquarie European Infrastructure Fund (“MEIF”)

MEIF is an unlisted investment fund with investments in infrastructure and related assets in European OECD countries.

MIIF has invested €72.7 million (\$147.2 million) during the period and holds a 6.32% interest in MEIF. MIIF has committed to invest a further €34.6 million, to be drawn at the discretion of MEIF, to fund future acquisitions of MEIF.

■ Macquarie Airports (“MAp”)

MAp is an ASX listed globally diversified airport fund. MAp currently has interests in airports located in Sydney, Rome, Copenhagen, Bristol, Birmingham and Brussels, which collectively handled over 100 million passengers in 2004.

During March 2006 MAp and Ferrovial Infraestructuras S.A (“Ferrovial”) entered into a conditional put and call options over Ferrovial’s interest in Sydney and Bristol airports.

MIIF has a 2.21% direct interest in MAp by way of a total return swap with a Macquarie Bank Group member.

■ Macquarie Communications Infrastructure Group (“MCG”)

MCG holds controlling interests in communications infrastructure located in Australia and the United Kingdom. MCG owns 100% of Broadcast Australia, a broadcast and transmissions business in Australia that owns and operates the most extensive broadcast transmission infrastructure network in Australia. MCG also has a controlling interest in Arqiva (formerly ntl Broadcast).

MIIF has a 4.76% direct interest in MCG by way of a total return swap with a Macquarie Bank Group member and a 0.09% indirect interest in MCG.

■ Diversified Utility and Energy Trusts (“DUET”)

DUET owns a diverse portfolio of energy utility assets. DUET is an ASX listed group which holds interests in gas pipelines and distribution networks in Western Australia and electricity and gas distribution networks in Victoria.

MIIF has a 4.15% direct interest in DUET by way of a total return swap with a Macquarie Bank Group member.

■ Macquarie Infrastructure Company (“MIC”)

MIC is listed on the NYSE. MIC focuses on infrastructure opportunities in the United States and other OECD countries. MIC currently owns airport services, airport parking and district energy businesses and interests in MCG, South East Water and a UK toll road. June 2006 saw the completion of MIC’s acquisition of The Gas Company in Hawaii. The Gas Company is a regulated producer and distributor of gas products to residential and business consumers on the six major islands of Hawaii. The company also operates an unregulated propane distribution business.

MIIF has a 2.21% direct interest in MIC by way of a total return swap with a Macquarie Bank Group member.

■ Canadian Aged Care (also known as “Leisureworld”)

Canadian Aged Care owns and operates 19 Long Term Care (LTC) facilities, two retirement homes and one Independent Living facility in Ontario, Canada. Canadian Aged Care is the third largest operator of LTC facilities in Ontario. The investment in Canadian Aged Care was acquired on 22 November 2005.

MIIF acquired a 55% economic interest in Canadian Aged Care by way of total return swaps with Macquarie Bank Group members.

■ Changshu Xinghua Port Co. Ltd (“CXP”)

CXP is a multi-purpose cargo river port which handles mainly steel and forestry products and containers. CXP enjoys a competitive advantage and strong growth opportunities through its strategic location on the Changjiang (Yangtze River) Delta, one of China’s fastest growing industrial regions.

MIIF owns a 40% interest in Singapore Changshu Development Company which owns 95% of CXP, giving MIIF an effective interest in CXP of 38%. The investment in CXP was acquired on 2 December 2005.

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Investment Portfolio Analysis (continued)

■ Deukalion Tanklager GmbH & Co. KG ("TanQuid")

TanQuid is an oil and chemicals tank storage business and the largest independent provider of oil storage services in Germany with an overall capacity of almost 3 million cubic metres. The business consists of 10 tank storage sites strategically located close to major industry centres throughout Germany.

During June 2006 TanQuid agreed to acquire a portfolio of oil and chemical tank storage facilities from Petroplus International B.V. The acquired portfolio consists of eight tank storage sites located primarily in the key industrial region of the Ruhr-Rhine in western Germany. All sites are located with access to a variety of transport links, providing a unique strategic advantage over other storage facilities.

Once the acquisition is complete, TanQuid will operate oil and chemical storage tanks at 18 sites in Germany, consolidating its position as Germany's largest independent tank storage business, with market share increasing from 22% to 25%. The management team of the acquired sites will also be integrated into TanQuid, and bring with them their portfolio of unique clients.

MIIF acquired 100% of TanQuid in November 2005. The investment in TanQuid was acquired on 16 November 2005. The acquisition of the storage facilities from Petroplus was completed during July 2006.

Competitive Industry Conditions

MIIF has been formed to own, operate and invest in a diversified group of infrastructure businesses around the world. MIIF's investments reside primarily in China, Australia, Canada, parts of Europe and the United States. The performance of these economies is expected to influence the performance of MIIF.

■ China

MIIF's exposure to the Chinese market is through its investment in CXP. The Chinese economy is expected to continue to grow strongly in 2006 albeit at a slower rate than in previous years, and is expected to accelerate again as economic reform unfolds. This growth can be seen in China's share of global steel demand which increased from 16% in 2000 to 31% in 2005. Through its strategic location on the Changjiang (Yangtze River) Delta in the Changshu Province, CXP is well placed to benefit from economic growth and increasing exports.

■ Australia

The exposure to the Australian market for MIIF arises through its interests in MAp, MCG and DUET. The industries MIIF is exposed to in Australia are airports, telecommunications and utilities. The underlying assets of MIIF's investments across all three infrastructure classes operate in a regulated environment, with high barriers to entry and stable incomes. In 2005, over 110 million passengers used MAp's airports globally. In the telecommunications sector, further growth is mainly expected through the government backed roll-out of new technologies and soaring industrial growth in Western Australia has resulted in an increase in the size of the proposed expansion of DUET's Dampier to Bunbury Natural Gas Pipeline.

■ Canada

MIIF is operating in the Canadian market through its interest in Canadian Aged Care, a provider of essential social infrastructure in Ontario. The aged care industry in Ontario is fragmented, which offers consolidation opportunities. In addition MIIF sees opportunities for natural growth due to an aging population, increasing life expectancy and growing senior affluence. Natural growth will also be achieved by increasing occupancy through the ramp up of existing and new facilities such as Orillia. Currently occupancy is at or above 97% at all but two facilities.

■ Europe

MIIF is exposed to various infrastructure classes around Europe through direct investments in Arqiva, NMRE, Brussels Airport and TanQuid. It has further exposure through its investments in MEIF, MAp, MCG and MIC. The exposure in Europe ranges across several infrastructure asset classes, being airports, telecommunications, renewable energy, utilities, ferries, oil and chemicals storage and toll roads. The underlying investments operating across these infrastructure classes operate in regulated industries with high barriers to entry. Short term changes in economic conditions have only limited impact on these markets as they mainly provide essential infrastructure used by customers on a daily basis.

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Competitive Industry Conditions (continued)

■ US

MIIF's exposure to the US market arises through its investment in MIC. MIC holds investment in airport services, utilities and toll roads. These investments operate in a similar environment as our assets in Europe and have a similarly limited exposure to changes in economic conditions. For instance, one of MIC's assets, The Gas Company, is representative of the limited exposure to economic conditions of MIC's assets. The Gas Company owns and operates the only synthetic natural gas plant in Hawaii and the only inter-island LPG transport barges.

Dividends

The dividend for the six months ended 30 June 2006 has been declared by the board and is 3.95 cents per share. This is consistent with guidance already issued. This dividend will likely be paid to investors during September 2006.

Based on the strong performance of the portfolio to 30 June 2006, and the positive outlook for the near future, the Board of Directors of MIIF have restated dividend guidance for the six months ending 31 December 2006 of 4.00 cents per share. This dividend will likely be paid to investors during March 2007.

The Board of Directors of MIIF have further stated that based on the demonstrated ability of the assets within the portfolio to generate stable and predictable cash flows that grow over time, the directors believe that this level of dividend payout to MIIF shareholders is sustainable and is expected to grow over time as well.

As the Company is incorporated in Bermuda and is not a resident in Singapore for tax purposes, dividends paid by the Company will be regarded as foreign-source income. The foreign dividend is subject to Singapore income tax when received in Singapore by corporate shareholders. Foreign dividends received by foreign investors with no permanent establishments in Singapore are generally not subject to Singapore income tax.

Foreign dividends received by individuals in Singapore (whether resident or otherwise) are exempt from Singapore income tax.

Singapore does not currently impose withholding tax on dividends paid to non-Singapore tax resident shareholders.

MIIF is a Bermudian incorporated company, and as such is governed by the Bermuda Companies Act 1981. The Bermuda Companies Act 1981 allows companies that are governed by it to declare and pay dividends to shareholders in excess of accounting profits and reserves.

It is possible that MIIF may generate accounting profits, and have carry forward accounting reserves, such as retained earnings, that are less than the dividend amounts that the Board of Directors of MIIF intend to declare and pay. Such situations may arise as a result of unrealised losses that MIIF is required to recognise due to movements in foreign exchange rates, share prices, changes in the value of MIIF's unlisted securities and other asset specific and general economic factors. These unrealised amounts do not impact the cash flow of MIIF and its ability to pay dividends now and in the future.

Accounting Policies Application

Accounting policies and methods of computation applied in the preparation of these figures that are not stated in this report are the same as those used in the most recently audited financial statements.

Consolidation

In the preparation of its consolidated financial statements, MIIF has decided to apply the exemption available under paragraph 26 of IAS 27 *Consolidated and Separate Financial Statements*. This exemption allows the use of financial information for subsidiaries with a different reporting date if it is not possible to prepare financial information as at the same reporting date within the required time. MIIF is using financial information from TanQuid as at 31 May 2006. As a result, the consolidated income statement for the current quarter as disclosed on page 12 of this report includes the revenues and expenses of TanQuid for the 3 month period between the 1st of March, 2006 to the 31st of May 2006, whilst the consolidated balance sheet as disclosed on page 13 of this report includes the assets and liabilities of TanQuid as at 31 May 2006.

Unaudited Financial Report

For the quarter ended 30 June 2006

Changes in Share Capital

There were no changes in Share Capital during the quarter ended 30 June 2006.

Interested Person Transactions

(a) Directors

The following persons were directors of MIIF during the periods being reported on:

	Date of Appointment	Date of Resignation
John Stuart Hugh Roberts	7 February 2005	Not applicable
Heng Chiang Meng	7 February 2005	Not applicable
Robert Andrew Mulderig	7 February 2005	Not applicable
Michael David Hamer	7 February 2005	Not applicable
Gregory Kenneth Osborne (alternate director to John Stuart Hugh Roberts)	7 February 2005	Not applicable

Director's remuneration

John Roberts and Gregory Osborne are executive directors of Macquarie Bank Limited, the ultimate parent entity of the Manager, and are not entitled to any remuneration from MIIF, other than reimbursement of expenses incurred on behalf of the Company, such as travel costs and accommodation.

Heng Chiang Meng, Robert Mulderig and Michael Hamer are entitled to a total remuneration of US\$50,000 per annum each.

(b) The Manager

The Manager was appointed by the Company as the sole and exclusive manager pursuant to a management agreement dated 19 May 2005.

The following transactions occurred during the period between the Group, the Company and the Manager:

	Group For the quarter ended 30 June 2006 \$'000	Company For the quarter ended 30 June 2006 \$'000	Group For the quarter ended 30 June 2005 \$'000	Company For the quarter ended 30 June 2005 \$'000
Transactions				
Base management and performance fees paid or payable	2,515	2,515	29,294	29,294
Dividends	-	39,670	-	-

The following balances remained outstanding between the Group, the Company and the Manager at the current reporting date:

	Group As at 30 June 2006 \$'000 Unaudited	Group As at 31 December 2005 \$'000 Audited	Company As at 30 June 2006 \$'000 Unaudited	Company As at 31 December 2005 \$'000 Audited
Balances				
Accrued base management fees	5,746	5,063	5,746	5,063
Total liabilities payable to the Manager	5,746	5,063	5,746	5,063

The Manager holds 104,011,754 ordinary shares in the Company.

(c) Macquarie Bank Group

Macquarie Bank Limited ("MBL") is the ultimate parent of the Manager. MBL and its subsidiaries and in particular the Investment Banking Group are an important source of acquisition opportunities and financial and acquisition advice.

Unaudited Financial Report

For the quarter ended 30 June 2006

Interested Persons Transactions (continued)

(c) Macquarie Bank Group (continued)

During the period, the Group engaged the Investment Banking Group of MBL to advise on the acquisition and financing of eight oil and chemicals storage tanks and sites from Petroplus. Further details of the acquisition are included on page 8 of this report. The Group paid fees of \$1.8 million to the Investment Banking Group of MBL for the advisory services provided. These fees were reviewed by an independent expert who concluded that the level of fees was consistent with the level of fees that would be charged for a similar transaction on normal commercial terms and conditions. The fees were approved for payment by the independent directors of the MIIF Board.

The Company utilises the services provided by MBL's foreign exchange department from time to time to enter into foreign exchange forward contracts.

TanQuid has entered into an interest rate swap with a Macquarie Group entity on normal commercial terms. Further details of the acquisition are included on page 8 of this report. The acquisition has been funded using the stand by debt facilities that MIIF has arranged.

Subsequent Events

On 31 July 2006, the Group completed the acquisition of eight oil and chemicals storage tanks and sites from Petroplus. The total value of the acquisition is €36.6 million which includes advisory fees, legal fees, transfer taxes and other acquisition costs. The newly acquired assets will form part of the TanQuid business and will be consolidated on a basis that is consistent with the existing TanQuid business.

Review by independent auditor

A review of this report, which is not an audit, has been conducted in accordance with SSRE 2400-Review Engagements Singapore Statement of Auditing Practice 11 - Review of Interim Financial Information, by MIIF's independent auditor, PricewaterhouseCoopers. Their review opinion is attached to the end of this report.

Unaudited Financial Report

For the quarter ended 30 June 2006

Consolidated Income Statement

	Group Quarter ended 30 June 2006 \$'000 Unaudited	Group Year to date 30 June 2006 \$'000 Unaudited	Group Quarter ended 30 June 2005 \$'000 Unaudited*	Group Year to date** 30 June 2005 \$'000 Unaudited*
Income				
Storage revenue	24,466	40,112	-	-
Interest revenue	294	774	281	281
Net foreign exchange gain/(loss)	559	1,114	(354)	(354)
Net gain on financial assets at fair value through profit or loss	33,881	47,324	97,258	97,258
Total income	59,200	89,324	97,185	97,185
Expenses				
Base management and performance fees	2,515	5,598	29,294	29,294
Transaction costs – acquisition of investments	-	-	23,100	23,100
Finance costs	3,033	5,909	-	-
Employee benefits expense	7,033	11,789	-	-
Depreciation	4,524	7,254	-	-
Professional services	341	810	-	-
Consumables	2,523	3,666	-	-
Rental expense	1,537	2,541	-	-
Directors' fees	60	120	54	54
Other operating expenses	4,318	7,147	1,157	1,157
Total operating expenses	25,884	44,834	53,605	53,605
Profit before income tax	33,316	44,490	43,580	43,580
Income tax expense	76	-	-	-
Profit after income tax	33,392	44,490	43,580	43,580
Profit attributable to the equity holders of the parent	33,392	44,490	43,580	43,580
Basic earnings per share (cents per share)	2.61c	3.48c	14.80c	14.80c
Diluted earnings per share (cents per share)	2.61c	3.48c	13.70c	13.70c

* These amounts have been restated to reflect the change in accounting policy, which required a reclassification of income items. Note that this change did not impact the final net income figures, the cash flow of MIIF or dividends paid or payable to MIIF shareholders.

** MIIF was listed on the Main Board of the Singapore Exchange Securities Trading Limited on 27 May 2005. Prior to this date, MIIF did not engage in any commercial or other activity. As a result of this, the financial results for the 30 June 2005 year to date comparative period are equal to the financial results 30 June 2005 quarter end comparative period.

Unaudited Financial Report

As at 30 June 2006

Balance Sheet

	Group As at 30 June 2006 \$'000 Unaudited	Group As at 31 December 2005 \$'000 Audited	Company As at 30 June 2006 \$'000 Unaudited	Company As at 31 December 2005 \$'000 Audited
Assets				
Current assets				
Cash and cash equivalents	57,712	51,942	40,359	46,589
Trade and other receivables	23,567	39,132	22,031	18,176
Financial assets at fair value through profit or loss	4,647	3,190	1,788	3,190
Inventory	701	711	-	-
Other assets	92	57	92	57
	86,719	95,032	64,270	68,012
Non-current assets				
Trade and other receivables	77	80	-	-
Property, plant and equipment	280,101	278,121	-	-
Financial assets at fair value through profit or loss	1,167,535	1,125,103	1,251,892	1,207,471
Goodwill	85,568	83,756	-	-
	1,533,281	1,487,060	1,251,892	1,207,471
Total assets	1,620,000	1,582,092	1,316,162	1,275,483
Liabilities				
Current liabilities				
Trade and other payables	35,850	45,758	6,689	14,695
Borrowings	5,703	5,540	-	-
	41,553	51,298	6,689	14,695
Non-current liabilities				
Provisions for other liabilities and charges	16,687	18,288	-	-
Borrowings	289,269	247,658	37,724	-
Financial liabilities at fair value through profit or loss	-	1,349	-	-
Deferred income tax liabilities	2,304	2,238	-	-
	308,260	269,533	37,724	-
Total liabilities	349,813	320,831	44,413	14,695
Net assets	1,270,187	1,261,261	1,271,749	1,260,788
Equity				
Share capital	1,231,573	1,231,539	1,231,573	1,231,539
Foreign currency translation reserve	(2,551)	(6,624)	-	-
Retained earnings	41,165	36,346	40,176	29,249
Total equity	1,270,187	1,261,261	1,271,749	1,260,788

Unaudited Financial Report

For the quarter ended 30 June 2006

Cash Flow Statement

	Group Quarter ended 30 June 2006 \$'000 Unaudited	Group Year to date 30 June 2006 \$'000 Unaudited	Group Quarter ended 30 June 2005 \$'000 Unaudited	Group Year to date* 30 June 2005 \$'000 Unaudited
Cash flows from operating activities				
Profit after tax	33,392	44,490	43,580	43,580
Adjustments for non cash items:				
Depreciation	4,524	7,254	-	-
Unrealised foreign exchange gains	(559)	(1,114)		
Revaluation of financial assets at fair value through profit or loss	340	(4,230)	(77,921)	(77,921)
Effect of exchange rate movements on operating assets and liabilities	(1,019)	(1,466)	-	-
Changes in operating assets and liabilities, net of the effects from acquisitions of controlled entities and business assets:				
Increase in trade and other receivables	(7,259)	15,568	(10,450)	(10,450)
Increase in inventory	17	10	-	-
Increase in trade and other payables	(6,266)	(9,908)	33,510	33,510
Decrease in provisions for other liabilities and charges	572	(1,601)	-	-
Increase in other assets	(69)	(35)	(150)	(150)
Decrease in deferred income tax liabilities	75	66	-	-
Net cash inflow/(outflow) from operating activities	23,748	49,034	(11,431)	(11,431)
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,034)	(1,199)	-	-
Purchase of financial assets	(37,724)	(37,724)	(696,422)	(696,422)
Net cash outflow from investing activities	(38,758)	(38,923)	(696,422)	(696,422)
Cash flows from financing activities				
Proceeds from issue of ordinary shares	-	-	802,833	802,833
Capital raising costs paid	-	-	(19,807)	(19,807)
Proceeds from borrowings	35,694	37,724	-	-
Repayment of borrowings	(2,507)	(3,421)	-	-
Dividends paid	-	(39,670)	-	-
Net cash inflow/(outflow) from financing activities	33,187	(5,367)	783,026	783,026
Net increase in cash and cash equivalents	18,177	4,744	75,173	75,173
Cash and cash equivalents at beginning of period	38,824	51,942	-	-
Effects of exchange rate changes on cash and cash equivalents	711	1,026	(1,222)	(1,222)
Cash and cash equivalents at 30 June	57,712	57,712	73,951	73,951

*MIIF was listed on the Main Board of the Singapore Exchange Securities Trading Limited on 27 May 2005. Prior to this date, MIIF did not engage in any commercial or other activity. As a result of this, the cash flows for the 30 June 2005 year to date comparative period are equal to the cash flows for the 30 June 2005 quarter end comparative period.

Unaudited Financial Report

For the quarter ended 30 June 2006

Consolidated Statement of Changes in Shareholders' Equity

	Quarter ended 30 June 2006 \$'000 Unaudited	Year to date 30 June 2006 \$'000 Unaudited	Quarter ended 30 June 2005 \$'000 Unaudited	Year to date 30 June 2005 \$'000 Unaudited
Total equity at the beginning of the period	1,230,240	1,261,261	-	-
Foreign currency translation reserve recognised directly in equity	6,555	4,072	-	-
Profit after tax for the period	33,392	44,490	43,580	43,580
Total recognised gains for the period	33,392	44,490	43,580	43,580
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital				
Initial public offering	-	-	802,833	802,833
Capital raising costs	-	34	(22,164)	(22,164)
Dividends paid	-	(39,670)	-	-
Total equity at the end of the period	1,270,187	1,270,187	824,249	824,249

Unaudited Financial Report

For the quarter ended 30 June 2006

Statement of Changes in Shareholders' Equity of the Company

	Quarter ended 30 June 2006 \$'000 Unaudited	Year to date 30 June 2006 \$'000 Unaudited	Quarter ended 30 June 2005 \$'000 Unaudited	Year to date 30 June 2005 \$'000 Unaudited
Total equity at the beginning of the period	1,224,056	1,260,788	-	-
Foreign currency translation reserve recognised directly in equity			-	-
Profit after tax for the period	47,693	50,597	43,580	43,580
Total recognised gains for the period	47,693	50,597	43,580	43,580
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital				
Initial public offering	-	-	802,833	802,833
Capital raising costs	-	34	(22,164)	(22,164)
Dividends paid	-	(39,670)	-	-
	1,271,749	1,271,749	824,249	824,249

Unaudited Financial Report

As at 30 June 2006

Net Asset Value

	Group As at 30 June 2006 \$'000 Unaudited	Group As at 31 December 2005 \$'000 Audited	Company As at 30 June 2006 \$'000 Unaudited	Company As at 31 December 2005 \$'000 Audited
Net Asset Value				
Total net asset value (\$'000)	1,270,187	1,261,261	1,271,749	1,260,788
Total number of ordinary shares on issue used in calculation of net asset value per share ('000)	1,279,687	1,279,687	1,279,687	1,279,687
Net asset value per ordinary share (\$ per share)	\$0.99	\$0.99	\$0.99	\$0.99

Unaudited Financial Report

For the quarter ended 30 June 2006

Earnings Per Share

	Group Quarter ended 30 June 2006 \$'000 Unaudited	Group Year to date 30 June 2006 \$'000 Unaudited	Group Quarter ended 30 June 2005 \$'000 Unaudited	Group Year to date 30 June 2005 \$'000 Unaudited
Basic Earnings per Share				
Earnings used in calculation of basic earnings per share (\$'000)	33,392	44,490	43,580	43,580
Weighted average number of shares on issue used in calculation of basic earnings per share ('000)	1,279,687	1,279,687	294,391	294,391
Basic earnings per share (cents per share)	2.61	3.48	14.80	14.80
Diluted Earnings per Share				
Diluted earnings used in calculation of diluted earnings per share (\$'000)	33,392	44,490	43,580	43,580
Weighted average number of shares on issue used in calculation of diluted earnings per share ('000)	1,279,687	1,279,687	318,119	318,119
Diluted earnings per share (cents per share)	2.61	3.48	13.70	13.70

Unaudited Financial Report

As at 30 June 2006

Borrowings

	Group As at 30 June 2006 \$'000 Unaudited	Group As at 31 December 2005 \$'000 Audited
Amount repayable in one year or less, or on demand	5,703	5,540
Amount repayable after one year	289,269	247,658
Total borrowings	294,972	253,198
Amount secured	257,248	253,198
Amount unsecured	37,724	-
Total borrowings	294,972	253,198

The borrowings disclosed above include borrowings of TanQuid and include bank loans as well as finance lease liabilities. These bank loans are secured through a combination of various pledge agreements, agreements to transfer title in the tangible assets of the business to the lender in the event of default, granting of a charge over the real property of the business to the lender and an assignment of the hedging arrangements from TanQuid back to the lender. These arrangements exist only with respect to the borrowings of TanQuid.

Borrowings of MIIF, which are \$37.7m at 30 June 2006, are generally repayable after one year.

Finance lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The Board of Directors
Macquarie International Infrastructure Fund Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

4 August 2006

Our ref: ASR FSIP/02520769-A000/KDL/MP(15)
(When Replying Please Quote Our Reference)

Dear Sirs

Macquarie International Infrastructure Fund Limited and its subsidiaries
Review of the interim financial information
For the quarter ended 30 June 2006

We have performed a review on certain interim financial information of Macquarie International Infrastructure Fund Limited (the "Company") and its subsidiaries (known collectively as the "Group") as at 30 June 2006 and for the quarter ended 30 June 2006. Such interim financial information has been prepared by the Company for announcement on the Singapore Exchange.

The interim financial information is set out in the attached pages of the Company's announcement and comprises the following:-

- Consolidated income statement of the Group for the quarter ended 30 June 2006 as set out in page 12 of the report;
- Balance sheet of the Group and Company as at 30 June 2006 as set out in page 13 of the report;
- Consolidated statement of cash flows for the quarter ended 30 June 2006 as set out in page 14 of the report;

Macquarie International Infrastructure Fund Limited

Our ref: ASR FSIP/02520769-A000/KDL/MP(15)

4 August 2006

- Consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity for the quarter ended 30 June 2006 as set out in pages 15 and 16 of the report; and
- Net asset value per ordinary share of the Group and Company as at 30 June 2006 set out in page 17 of the report; and
- Earnings per ordinary share of the Group (basic and diluted) for the quarter ended 30 June 2006 set out in page 18 of the report.

Appendix 7.2 of the Singapore Exchange Securities Trading Limited Listing Manual (the "Listing Manual") requires the preparation of interim financial information to be in compliance with the relevant provisions thereof. The interim financial information is the responsibility of, and has been approved by the directors. Our responsibility is to issue a report solely for the use of the directors on the interim financial information based on our review.

We conducted our review in accordance with the Singapore Statement of Auditing Practice 11, Review of Interim Financial Information. A review of interim financial information consists principally of applying analytical review procedures to financial data and making inquiries of, and having discussions with, persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with Singapore Standards on Auditing and does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that there are any material modifications that need to be made to the accompanying interim financial information for it to be in accordance with Appendix 7.2 of the Listing Manual.

Yours faithfully

PriceWaterhouseCoopers

Certified Public Accountants
Singapore