



Macquarie International Infrastructure Fund Limited

SGX Quarterly Report 30 June 2005

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Macquarie Infrastructure Management (Asia) Pty Limited, as Manager of the Fund, is entitled to fees for so acting. Macquarie Bank Limited and its related corporations, together with their officers and directors, may hold securities in Macquarie International Infrastructure Fund Limited from time to time.

Financial Report

For the quarter ended 30 June 2005

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Review of Macquarie International Infrastructure Fund Limited Performance

Comparison of Actual Results versus the Prospectus Forecasts

The financial performance of the Group is set out on page 6.

The following table compares the actual results for the quarter ended 30 June 2005 to the Macquarie International Infrastructure Fund Limited (MIIF) Prospectus dated 20 May 2005 (the Prospectus) forecasts. The table details net income of \$15.6 million (before items not included in the Prospectus forecast) compared to a Prospectus forecast of \$14.7 million. This table also details those items which are included in the financial performance of the Group (as shown on page 6), but were not included in the Prospectus income statement. The impact of these items was taken into account and disclosed in the Prospectus and, as noted in the Prospectus, will not impact the ability of the Group to meet its ongoing dividend guidance issued.

Unless otherwise stated all amounts are stated in Singapore Dollars.

	Quarter Ending 30 June 2005 Adjusted Actuals \$'000	Quarter Ending 30 June 2005 Forecast* \$'000
Revenue		
Distribution income	11,088	10,600
Investment income	5,928	5,400
Interest income	281	0
Foreign exchange loss	(354)	0
Total investment revenue	16,943	16,000
Expenses		
Management fees	1,154	1,100
Directors' fees	54	50
Other operating expenses	150	150
Total operating expenses	1,358	1,300
Net income before items not included in Prospectus forecast	15,585	14,700
Revenue items not included in Prospectus forecast		
Net gain on movement in fair value of financial assets	75,799	0
Investment income	4,443	0
Expense items not included in Prospectus forecast		
Transaction costs	23,100	0
Performance fees	28,140	0
Marketing costs	1,007	0
Net income	43,580	14,700

* The Prospectus included a forecast profit range. The forecast income statement above is the midpoint of the forecast profit range included in the Prospectus.

Distribution and Investment income from the underlying investment portfolio of MIIF of \$17.0 million was at the higher end of the distribution income included in the forecast profit range and exceeded the midpoint of the forecast shown above by \$1.0 million. Distribution income includes distributions received from MIC of 58.8 cents per share and dividends receivable from MAp of 11 cents per stapled security, from DUET of 8.5 cents per stapled security and from MCG of 14.6 cents per stapled security. These distributions were announced to the market by the respective entities as well as by MIIF.

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MIIF generated interest income on its cash at bank of \$0.3 million which was offset by foreign exchange losses incurred.

The base management fees payable to Macquarie Infrastructure Management (Asia) Pty Limited (the Manager) were in line with the forecast, as were directors fees and other operating expenses.

Revenue items not included in Prospectus forecast:

- Net gain on movement in fair value of financial assets of \$75.8 million. This refers to the increase or decrease in the fair value of these assets during the period being reported on. These gains do not represent cash inflows for the Group, but arise as a result of accounting for the investments of the Group at fair value.
- Investment income of \$4.4 million was earned from the investment in Arqiva. This income was included in the forecast profit range for the six month period ending 31 December 2005.

Expense items not included in Prospectus forecast:

- Transaction costs of \$23.1 million. Payment of these costs will not impact our ability to pay the forecast dividends as they were funded through the issue of our shares during the initial public offering and the over-allotment offering.
- Performance fees of \$28.1 million payable to the Manager. The Manager has agreed to invest all of the performance fee payable for the quarter ended 30 June 2005 in MIIF shares. The new shares will be issued during August 2005. Had the performance fee been invested into our shares at 30 June 2005, the Net Asset Value would increase by approximately \$0.0044 however this would not change the Net Asset Value shown on page 7 as it is rounded to the nearest cent.
- Marketing costs of \$1.0 million. These costs were incurred as part of our initial public offering and are not of a recurring nature. The costs were funded through the issue of our shares during the initial public offering and the over-allotment offering.

The Prospectus clearly noted that each of these items were excluded from the forecast profit range, and further noted what the impact of each would have been on the forecast profit had they been included. The forecast profit excluded these items in order to reflect a "normalised" income statement for the forecast period.

Investment Portfolio

MIIF was incorporated in Bermuda on 7 January 2005 and was subsequently registered as a mutual fund company, which was formed to own, operate and invest in a diversified group of infrastructure businesses around the world. On 27 May 2005 MIIF listed on the Singapore Exchange Securities Trading Limited (SGX). The net IPO, over-allotment, Cornerstones and Sponsor proceeds were used to acquire the following investments either via direct investment or by way of total return swaps.

■ 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. 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.

On 11 July 2005 Arqiva announced the acquisition of Inmedia Communications Limited, a broadcast and media company, primarily providing satellite uplinking and related support services.

■ Brussels Airport

Brussels Airport is the largest airport in Belgium with 15.6 million passengers in 2004, representing approximately 85% of total Belgian airline passenger traffic. MIIF has a 3.21% direct interest in Brussels Airport plus an additional 1.81% indirect interest held through its investment in Macquarie Airports (MAP), an ASX listed group.

■ Novera Macquarie Renewable Energy Joint Venture Limited (Novera)

Novera owns and operates 55 electricity generation projects in the UK with an expected installed capacity of 128MW. Each project generates electricity through the use of renewable energy sources such as land fill gas, hydro and wind. MIIF has a 50.00% interest in Novera through its wholly owned subsidiary Macquarie Renewables Limited.

On 26 July 2005 MIIF received a cash distribution of GBP1.2 million (\$3.5 million) from Novera.

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■ 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. MIIF has a 2.27% direct interest in MAp by way of a total return swap with a Macquarie Bank Group member.

■ Macquarie Communications Infrastructure Group (MCG)

MCG targets investments in communications infrastructure. MCG has investments in Broadcast Australia which 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 4.79% 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 4.17% direct interest in DUET by way of a total return swap with a Macquarie Bank Group member.

On 22 June 2005 DUET announced that its initial review of the draft decision by the Essential Services Commission on the 2006 Electricity Distribution Price Review lodged by United Energy Distribution Pty Ltd (UED), indicates that the draft decision would not materially impact on the ability of UED to pay distributions to DUET over the period 2006 to 2010.

■ Macquarie Infrastructure Company (MIC)

MIC is listed on the NYSE. MIC focuses on infrastructure opportunities in the United States. MIC currently owns airport services, airport parking and district energy businesses and interests in MCG, South East Water and a UK toll road. MIIF has a 2.21% direct interest in MIC by way of a total return swap with a Macquarie Bank Group member.

On 31 May 2005 MIC announced that it entered into an agreement to acquire Nevada-based airport services facility, Las Vegas Executive Air Terminal, an established fixed base operation facility operating out of McCarran International Airport in Las Vegas.

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 Australia, the United States and parts of Europe. The performance of these economies is expected to influence the performance of MIIF.

■ Australia

The Australian economy will experience a major shift in the drivers of growth over the next 12 months, away from consumption and housing, and towards exports and investment spending. Overall, growth is likely to fall to around 2.5% p.a., which compares to a potential growth rate of 3.25% p.a.. There is likely to be a moderate rise in the unemployment rate which will ensure that the Reserve Bank of Australia keeps interest rate settings unchanged until at least mid 2006.

■ US

Despite tighter monetary policy for more than a year, plus the drag from the higher oil price, economic growth remains firm. In particular, household spending growth shows no sign of slowing. In addition, US companies have accumulated significant cash holdings and business investment will also contribute to growth. With GDP growth of 3.5% in 2005 and 3% in 2006, the US will remain one of the better performing economies in the OECD. The long period of firm economic growth of the US economy will push inflation higher.

■ Europe

The combination of currency weakness and lower yields should mean that European economic growth accelerates over the second-half of 2005. Economic growth will still be soft growing by 1.5% in 2005 and by 2.5% in 2006. Such growth rates would not be strong enough to cut unemployment markedly and this will remain a concern for the foreseeable future.

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Dividends

As at 30 June 2005 no decision had been made on potential dividends. The Board has since reaffirmed its intention to pay a dividend to shareholders consistent with forecasts included in the Prospectus dated 20 May 2005, and has resolved to pay a dividend of 2.2 cents per share. Payment will be made on 9 September 2005 and the books closure date will be 22 August 2005.

As our Company was incorporated in Bermuda and is not resident in Singapore for tax purposes, dividends paid by our 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.

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 Pro Forma Financial Statements detailed in the Prospectus.

■ Financial assets at fair value through profit or loss

The investments held by MIIF are classified as "financial assets recognised at fair value" on the balance sheet upon initial recognition. As a mutual fund, MIIF also classifies investments in jointly controlled entities as financial assets recognised at fair value where it has determined that the fair value of investments in jointly controlled entities can be reliably determined.

Purchases and sales of financial assets are recognised on trade date, being the date on which MIIF commits to purchase or sell the asset. Transaction costs for all "financial assets recognised at fair" are expensed as incurred.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. MIIF values its listed equity securities with reference to the quoted market price (the closing price) as at the date of each valuation.

The fair value of unlisted securities is determined by using established valuation techniques.

Gains and losses arising from changes in the fair value of the "financial assets recognised at fair value" category are included in the income statement in the period in which they arise.

■ Critical accounting estimates and judgements in applying accounting policies

MIIF makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of unlisted securities

The fair value of unlisted securities that are not quoted in active markets is determined by using established valuation techniques. MIIF uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. MIIF uses the following valuation methods:

- Discounted cash flows
- Capitalisation of earnings analysis, such as EBITDA multiple analysis
- Valuation of similar investments
- Reference to recent sales transactions of the same or similar securities

Changes in Share Capital

On 7 January 2005 MIIF was incorporated in Bermuda with the issue of two ordinary shares of par value \$1.00 to MIMAL.

On 7 February 2005 MIIF's shareholder approved the increase in the authorised share capital from \$2, divided into two ordinary shares of \$1.00 each, to \$680,000,000, divided into 68,000,000,000 shares of \$0.01 each. This resulted in the share split of the existing 2 shares of par value \$1.00 into 200 shares of par value \$0.01 each.

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On 27 May 2005 MIIF issued 730,000,000 ordinary shares with a par value of \$0.01 per share.

On 7 June 2005 MIIF issued an additional 72,833,133 ordinary shares with a par value of \$0.01 each. Share capital as at 30 June 2005 is comprised of 802,833,333 ordinary shares of par value \$0.01 each. There are no outstanding convertible shares as at 30 June 2005.

Subsequent Events

■ Performance Fee conversion into Ordinary Shares

The manager of MIIF has agreed to invest all of the performance fee payable for the quarter ended 30 June 2005 in MIIF shares. The new shares will be issued during August 2005. These shares will not be entitled to the dividend that will be paid during September 2005.

Had the performance fee been reinvested into ordinary shares at 30 June 2005, the Net Asset Value per ordinary share would increase by \$0.0044 however this would not change the Net Asset Value shown on page 7 as it is rounded to the nearest cent.

■ Investment in Macquarie European Infrastructure Fund L.P. ("MEIF")

On 14 July 2005 MIIF invested \$72.3 million in MEIF, giving it an ownership interest in MEIF of 6.32%. MEIF is an unlisted fund that has been established to invest in a diversified portfolio of infrastructure and related assets located in European OECD countries.

The unaudited indicative fair value of MIIF's share in MEIF as at 30 June 2005 is \$81.6 million. Had MIIF held this investment at fair value as at 30 June 2005 the Net Asset Value per ordinary share would increase from \$1.03 as stated on the balance sheet on page 7 to \$1.04.

Assuming that the performance fee had been reinvested into ordinary shares as at 30 June 2005 and MIIF held the investment in MEIF at fair value as at 30 June 2005 the Net Asset Value per ordinary share would be \$1.04.

On 18 July 2005 MIIF received a further drawdown notice from MEIF for an amount of EUR6.9 million (approximately \$14.1 million) payable on 1 August 2005.

On 2 June 2005 MEIF announced that it had agreed to acquire 49% of NRE Holding N.V., a gas and electricity distribution network located in the Netherlands.

On 17 June MEIF agreed to acquire 100% of Wightlink Shipping Limited, the leading operator of vehicle and passenger ferry services between the UK mainland and the Isle of Wight.

Income Statement

	Quarter Ending 30 June 2005 Actuals \$'000
Revenue	
Distribution income	11,088
Investment income	10,371
Interest income	281
Foreign exchange loss	(354)
Net gain on movement in fair value of financial assets	75,799
Total investment revenue	97,185
Expenses	
Management fee	29,294
Directors' fees	54
Transaction costs	23,100
Marketing costs	1,007
Other operating expenses	150
Total operating expenses	53,605
Operating profit	43,580
Profit before and after tax	43,580
Dividends	0
Increase in amounts attributable to shareholders from operations	43,580
Basic earnings per share (cents per share) *	14.80c
Diluted earnings per share (cents per share) *	13.70c

* The weighted average number of shares used in the Earnings per Share calculations has been calculated for the quarter from 1 April 2005 to 30 June 2005. Had the weighted average number of shares been calculated for the period 27 May 2005 to 30 June 2005 the Basic Earnings per Share would be 5.59c and the Diluted Earnings per Share would be 5.43c.

Balance Sheet

As at
30 June 2005
\$'000

Assets	
Cash at bank	73,951
Financial assets recognised at fair value	773,208
Distributions receivable	10,450
Other assets	150
Total assets	857,759
Liabilities	
Other creditors	33,510
Total liabilities	33,510
Net assets attributable to shareholders	824,249
Shareholders' equity	824,249
Net asset value per share (\$ per share)	\$1.03

Statement of Cash Flows

Quarter Ending
30 June 2005
\$'000

Cash flows from operating activities	
Distributions received	6,458
Interest received	4,724
Operating expenses paid	(22,613)
Net cash outflow from operating activities	(11,431)
Cash flows from investing activities	
Purchase of financial assets	(696,422)
Net cash outflow from investing activities	(696,422)
Cash flows from financing activities	
Proceeds from issue of ordinary shares	802,833
Capital raising costs paid	(19,807)
Net cash inflow from financing activities	783,026
Net increase in cash and cash equivalents	75,173
Cash and cash equivalents at 1 April 2005	0
Effects of exchange rate changes on cash and cash equivalents	(1,222)
Cash and cash equivalents at 30 June 2005	73,951

Statement of Changes in Shareholders' Equity

	Share Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 7 January 2005	0	0	0
Balance as at 31 March 2005	0	0	0
Balance as at 1 April 2005	0	0	0
Profit for the period		43,580	43,580
Total recognised income for the period		43,580	43,580
Issue of share capital – Initial Public Offering	802,833	0	802,833
Capital raising costs – Initial Public Offering	(22,164)	0	(22,164)
Balance at 30 June 2005	780,669	43,580	824,249

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Net Asset Value and Earnings Per Share

30 June 2005

Net Asset Value	
Total net asset value (\$'000)	824,249
Total number of ordinary shares on issue used in calculation of net asset value per share ('000)	802,833
Net asset value per ordinary share (\$ per share)	1.03
Basic Earnings per Share *	
Earnings used in calculation of basic earnings per share (\$'000)	43,580
Weighted average number of shares on issue used in calculation of basic earnings per share ('000)	294,391
Basic earnings per share (cents per share)	14.80c
Diluted Earnings per Share *	
Diluted earnings used in calculation of diluted earnings per share (\$'000)	43,580
Weighted average number of shares on issue used in calculation of diluted earnings per share ('000)	318,119
Diluted earning per share (cents per share)	13.70c

* The weighted average number of shares used in the Earnings per Share calculations has been calculated for the quarter from 1 April 2005 to 30 June 2005. Had the weighted average number of shares been calculated for the period 27 May 2005 to 30 June 2005 the Basic Earnings per Share would be 5.59c and the Diluted Earnings per Share would be 5.43c.