MACQUARIE INTERNATIONAL INFRASTRUCTURE FUND LIMITED

SGX Quarterly Report for the quarter ended 30 September 2008

MACQUARIE

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PERFORMANCE REVIEW OF MACQUARIE INTERNATIONAL INFRASTRUCTURE FUND LIMITED

INTRODUCTION

OVERVIEW

Macquarie International Infrastructure Fund Limited (MIIF or the Company), a Bermudian mutual fund company, is a leading Asia-based private owner and operator of infrastructure businesses with significant investments in communications and broadcast infrastructure, transport infrastructure, aged care infrastructure and renewable energy, among others.

MIIF was the first infrastructure fund to list on the main board of the Singapore Exchange Securities Trading Limited (SGX-ST). It listed on the SGX-ST on 27 May 2005 and is today a top 100 SGX company with a market capitalisation of approximately $577 million as at 30 September 2008. MIIF has over 7,200 investors, including retail investors, as well as some of the world's foremost institutional investors.

MIIF is an Asia focused listed infrastructure fund managed by Macquarie Infrastructure Management (Asia) Pty Limited (MIMAL), part of Macquarie Capital Funds which, through special purpose management companies, has approximately A$50 billion (S$61 billion) of equity under management as at 30 June 2008.

As at 30 September 2008, MIIF's portfolio comprises of the following businesses:

Investment Portfolio	Percentage Ownership (%)	Percentage of Portfolio by Value (%)
Arqiva	8.7	28.3
Canadian Aged Care (CAC)	55.0	7.7
Changshu Xinghua Port (CXP)	38.0	7.7
Miaoli Wind Co. Ltd (Miaoli Wind) – formerly known as infraVest Wind	100.0	1.8
Taiwan Broadband Communications (TBC)	20.0	11.2
Hua Nan Expressway (HNE)	81.0	22.2
Macquarie European Infrastructure Fund (MEIF)	6.3	21.1

DIVIDEND POLICY

MIIF's dividend policy is based on the anticipated cash flows from its investments. MIIF intends to pay out as dividends to shareholders the majority of free operating cash available for distribution and not to retain significant cash balances in excess of prudent reserves. Prudent reserves are required to ensure that MIIF remains solvent and that, amongst other things, operating costs such as finance costs, audit fees, registry fees and hedging costs are adequately provided for. MIIF declares and pays regular semi-annual cash dividends on all outstanding shares.

As a Bermudian incorporated company, MIIF 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. Consequently, it is possible that the dividends that MIIF’s Board of Directors intends to declare and pay for the period exceeds the total of MIIF’s retained earnings and accounting profits generated for the period. Such situations may arise as a result of unrealised losses that MIIF is required to recognise due to movements in its foreign exchange rates, changes in the value of MIIF’s unlisted securities and other business specific and general economic factors. These unrealised losses do not impact MIIF’s cash flow and its ability to pay dividends in the current period.

DIVIDENDS

The interim dividend for the half year ended 30 June 2008 was paid on 15 October 2008. No dividends have been declared in respect of the quarter ended 30 September 2008 (30 September 2007: Nil).

The table below provide details of MIIF’s historical dividends:

Period ended	Cents per share
30 June 2005	2.20
31 December 2005	3.10
30 June 2006	3.95
31 December 2006	4.00
30 June 2007	4.15
31 December 2007	4.25
30 June 2008	4.25

TAXATION

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

Note: Each shareholder and prospective investor is advised to consult their professional tax adviser about the particular or potential tax consequences of their investment in MIIF shares.

INCOME STATEMENT ANALYSIS

Net income on an adjusted basis represents the earnings of MIIF that underpins the payment of dividends to MIIF shareholders, and as such is the measure that the Board of Directors of MIIF focuses on to determine the amount of dividends that are ultimately paid to shareholders. It does not include all items of revenue and expense that are ordinarily captured in an income statement prepared in accordance with all applicable accounting standards.

The following table compares the unaudited actual results for the quarter and year to 30 September 2008 to the quarter and year to 30 September 2007.

REVIEW OF NET INCOME ON AN ADJUSTED BASIS

NET INCOME ON AN ADJUSTED BASIS

	Quarter ended 30 Sept 08 $'000	Quarter ended 30 Sept 07 $'000	Year to date 30 Sept 08 $'000	Year to date 30 Sept 07 $'000
Revenue [1]				
Distribution income	-	-	-	15,026
Investment income	51,499	30,791	94,575	85,995
Interest income	154	754	348	1,530
Other income	-	2,207	-	2,207
Net foreign exchange gain/(loss)	2,985	(7,063)	6,691	(7,630)
Total revenue	**54,638**	**26,689**	**101,614**	**97,128**
Expenses [2]				
Management fees	(1,570)	(4,586)	(8,075)	(12,144)
Performance fees	-	-	-	(3,146)
Directors' fees	(109)	(57)	(263)	(171)
Finance costs	(281)	(2,721)	(1,605)	(6,380)
Other operating expenses	(1,430)	(1,879)	(7,105)	(5,032)
Total operating expenses	**(3,390)**	**(9,243)**	**(17,048)**	**(26,873)**
Net income on an adjusted basis	**51,248**	**17,446**	**84,566**	**70,255**
Gain/(loss) on disposal of investment	-	36,362	(2,471)	63,599
Amounts not included in the above analysis				
Net (loss)/ gain on the movement in the fair value of MIIF's financial assets [3]	(115,016)	53,647	(164,735)	307,434
Special dividend received	-	104,125	-	104,125
Transaction costs	-	-	(3,016)	-
Net (loss)/ income on an unconsolidated basis [4]	**(63,768)**	**211,580**	**(85,656)**	**545,413**
Consolidation adjustments to net income	(27,668)	(146,824)	(30,484)	(285,107)
Net (loss)/income on a consolidated basis [4]	**(91,436)**	**64,756**	**(116,140)**	**260,306**

1) Please refer to review of revenue on page 17
2) Please refer to review of expenses on page 20
3) The net (loss)/gain on financial assets at fair value as shown in the income statement on this page is different to the net (loss)/gain on financial assets at fair value as shown on page 10 of this report because of the required treatment of distributions as set out in MIIF's accounting policies and the reclassification of realised loss to be included in gain/(loss) on disposal of investment.
4) Please refer to page 15 for reconciliation to consolidated income statement.

All figures, unless stated otherwise are presented in Singapore dollars, which is MIIF’s functional and presentation currency.

REVIEW OF NET INCOME ON AN ADJUSTED BASIS

MIIF reported net income of $84.6 million for the nine months to 30 September 2008, up 20.4 per cent on an adjusted basis from the prior corresponding period (pcp). The increased net income for the nine months to 30 September 2008 was due to higher investment income received from assets as well as lower base management and performance fees and finance costs.

MIIF’s investment income of $51.5 million for the three months to 30 September 2008 was 67.3 per cent higher than the pcp. The higher investment income in the three months to 30 September 2008 was driven by the receipt of higher investment income from TBC of $7.2 million (2007: $0.9 million) and Arqiva of $11.5 million (2007: $5.1 million) when compared to the pcp. In addition, investment income for the quarter includes a special distribution of $28.5 million. $14.4 million was due to a reduction of HNE's future liabilities when compared to MIIF's expectations at acquisition as a result of the completion of a number of initiatives, including the successful implementation of the acquisition transition plan and the refinancing of HNE with a 14-year term facility. $14.1 million from Arqiva was due to the release of cash balances that were built up while the Hold Separate was in force, which reflected a conservative approach while uncertainty surrounded the regulatory process.

In addition, MIIF’s operating expenses for the nine months to 30 September 2008 were lower due to significantly lower management fees and finance costs relative to 2007 and gains were recognised on MIIF’s foreign exchange hedges of its forecast distribution income from its investments. These factors also contributed strongly to MIIF’s net income on an adjusted basis.

MACQUARIE INTERNATIONAL INFRASTRUCTURE FUND LIMITED

FINANCIAL STATEMENTS FOR QUARTER ENDED 30 SEPTEMBER 2008

CONSOLIDATED BALANCE SHEET

	Group as at 30 Sept 08 $'000	Group as at 31 Dec 07 $'000	Company as at 30 Sept 08 $'000	Company as at 31 Dec 07 $'000
Assets				
Current assets				
Cash and cash equivalents	61,042	55,016	52,252	54,930
Trade and other receivables	906	18,759	4,831	20,535
Financial assets at fair value through profit or loss	2,135	1,749	2,135	1,749
Other assets	209	27	56	27
	64,292	75,551	59,274	77,241
Non-current assets				
Trade and other receivable	85	-	-	-
Concession intangible assets	102,315	-	-	-
Financial assets at fair value through profit or loss	1,494,947	1,813,406	1,484,924	1,779,917
Goodwill	7,081	-	-	-
Other assets	454	-	-	
	1,604,882	1,813,406	1,484,924	1,779,917
Total assets	1,669,174	1,888,957	1,544,198	1,857,158
Liabilities				
Current liabilities				
Trade and other payables	11,385	28,717	4,508	37,053
Financial liabilities at fair value through profit or loss	21	-	-	-
Provision for dividends	55,091	-	55,091	-
Borrowings	34,075	178,224	27,519	178,224
	100,572	206,941	87,118	215,277
Non-current liabilities				
Financial liabilities at fair value through profit or loss	3,622	453	-	453
Provision for other liabilities and charges	441	-	-	-
Borrowings	89,085	-	-	-
	93,148	453	-	453
Total liabilities	193,720	207,394	87,118	215,730
Net assets	1,475,454	1,681,563	1,457,080	1,641,428

	Group as at 30 Sept 08 $'000	Group as at 31 Dec 07 $'000	Company as at 30 Sept 08 $'000	Company as at 31 Dec 07 $'000
Equity				
Share capital	1,245,530	1,234,627	1,245,530	1,234,627
Foreign currency translation reserve	6,017	(461)	-	-
Retained earnings	187,608	413,343	211,550	406,801
	1,439,155	1,647,509	1,457,080	1,641,428
Minority interest	36,299	34,054	-	-
Total equity	1,475,454	1,681,563	1,457,080	1,641,428

CONSOLIDATED INCOME STATEMENT

	Group Quarter ended 30 Sept 08 $'000	Group Quarter ended 30 Sept 07 $'000	Group Year to date 30 Sept 08 $'000	Group Year to date 30 Sept 07 $'000
Income				
Storage revenue	-	33,517	-	93,694
Power supply revenue	1,827	-	4,453	-
Interest revenue	189	1,114	455	2,549
Other income	47	2,207	58	2,207
Net foreign exchange (loss)/gain	(5,220)	(7,360)	1,122	(8,088)
Net (loss)/gain on financial assets at fair value through profit or loss	(80,744)	77,124	(87,536)	295,844
Total income	(83,901)	106,602	(81,448)	386,206
Expenses				
Base management fees	(1,570)	(4,586)	(8,075)	(12,144)
Performance fees	-	-	-	(3,146)
Finance costs	(1,258)	(7,301)	(5,119)	(19,143)
Employee benefits expense	(101)	(9,512)	(171)	(26,703)
Depreciation	-	(6,791)	-	(18,985)
Amortisation	(1,446)	-	(3,121)	-
Professional services	(906)	(234)	(3,239)	(1,586)
Consumables	-	(6,361)	-	(17,966)
Rental expense	(38)	(2,229)	(85)	(5,849)
Directors' fees	(179)	(57)	(401)	(171)
Other operating expenses	(4,797)	(4,606)	(10,113)	(15,197)
Total operating expenses	(10,295)	(41,677)	(30,324)	(120,890)
(Loss)/profit before income tax	(94,196)	64,925	(111,772)	265,316
Income tax expense	(1,190)	(169)	(2,665)	(5,010)
(Loss)/profit after income tax	(95,386)	64,756	(114,437)	260,306
Minority interest	3,950	-	(1,703)	-
(Loss)/profit attributable to equity holders of MIIF after income tax and minority interest	(91,436)	64,756	(116,140)	260,306

EARNINGS PER SHARE

	Group Quarter ended 30 Sept 08 $'000	Group Quarter ended 30 Sept 07 $'000	Group Year to date 30 Sept 08 $'000	Group Year to date 30 Sept 07 $'000
Basic Earnings per Share				
(Losses)/ earnings used in calculation of basic earnings per share ($'000)	(91,436)	64,756	(116,140)	260,306
Weighted average number of shares on issue used in calculation of basic earnings per share ('000)	1,296,253	1,282,452	1,289,957	1,282,452
Basic (losses)/earnings per Share (cents per share)	(7.05)	5.05	(9.00)	20.30
Diluted Earnings per Share				
Diluted (losses)/earnings used in calculation of diluted earnings per share ($'000)	(91,436)	64,756	(116,140)	260,306
Weighted average number of shares on issue used in calculation of diluted earnings per share ('000)	1,296,253	1,282,452	1,289,957	1,282,452
Diluted (losses)/earnings per share (cents per share)	(7.05)	5.05	(9.00)	20.30

STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Shareholders' Equity	Group Quarter ended 30 Sept 08 $'000	Group Quarter ended 30 Sept 07 $'000	Group Year to date 30 Sept 08 $'000	Group Year to date 30 Sept 07 $'000
Total equity at the beginning of the period	1,616,929	1,524,582	1,681,563	1,374,330
Foreign currency translation reserve recognised directly in equity	8,349	2,086	6,478	7,975
Minority interest	(3,297)	-	2,245	-
(Loss)/profit after tax for the period	(91,436)	64,756	(116,140)	260,306
Total recognised (losses)/ gains for the period	(86,384)	66,842	(107,417)	268,281
Issue of ordinary shares	-	3,146	10,903	3,146
Dividends paid/payable	(55,091)	(53,107)	(109,595)	(104,294)
Capital raising costs	-	(92)	-	(92)
Total equity at the end of the period	1,475,454	1,541,371	1,475,454	1,541,371

Statement of Changes in Shareholders' Equity of MIIF	Quarter ended 30 Sept 08 $'000	Quarter ended 30 Sept 07 $'000	Year to date 30 Sept 08 $'000	Year to date 30 Sept 07 $'000
Total equity at the beginning of the period	1,575,939	1,611,598	1,641,428	1,399,182
(Loss)/profit after tax for the period	(63,768)	76,664	(85,656)	340,267
Total recognised (losses)/ gains for the period	(63,768)	76,664	(85,656)	340,267
Issue of ordinary shares	-	3,146	10,903	3,146
Dividends paid/payable	(55,091)	(53,107)	(109,595)	(104,294)
Capital raising costs	-	(92)	-	(92)
Total equity at the end of the period	1,457,080	1,638,209	1,457,080	1,638,209

CHANGES IN SHARE CAPITAL

On 5 May 2008, 13,801,826 ordinary shares at par value of $0.01 each in the capital of MIIF (the New Shares) were allotted and issued at an issue price of $0.79 for each New Share to eligible shareholders who had elected to participate in the Scrip Dividend Scheme.

Consequent to the issue of the New Shares, the number of issued and paid-up ordinary shares of MIIF increased from 1,282,451,610 to 1,296,253,436.

STATEMENT OF CASH FLOWS

	Group Quarter ended 30 Sept 08 $'000	Group Quarter ended 30 Sept 07 $'000	Group Year to date 30 Sept 08 $'000	Group Year to date 30 Sept 07 $'000
Cash flows from operating activities				
(Loss)/profit after tax	(95,386)	64,756	(114,437)	260,306
Adjustments for non cash items:				
Income tax expense	1,190	-	2,665	-
Amortisation and depreciation	1,446	6,791	3,121	18,985
Unrealised foreign exchange loss	9,519	2,915	8,996	14,224
Amortisation of transaction costs	3,029	-	3,029	-
Revaluation of financial assets at fair value through profit or loss	116,889	46,254	165,053	(109,937)
<u>Changes in working capital, net of the effects from acquisition of subsidiaries:</u>				
Decrease in trade and other receivables	15,282	34,053	18,835	13,046
(Increase)/decrease in inventory	-	(25)	-	32
(Decrease)/increase in trade and other payables	(1,267)	(4,735)	(25,623)	816
Increase/(decrease) in provisions for other liabilities and charges	(9)	537	(9)	(4,862)
(Increase)/decrease in other assets	233	132	(101)	(553)
Income tax (paid)/refunded	(1,190)	351	(2,665)	10,496
Net cash inflow from operating activities	49,736	151,029	58,864	202,553
Cash flows from investing activities				
Proceeds from sale of investments	-	269,792	154,241	359,552
Purchase of subsidiary net of cash acquired	(1,189)	(282,129)	(18,764)	(567,669)
Movement in restricted cash	-	-	23,415	-
Purchase of property, plant and equipment	-	(3,498)	-	(5,034)
Net cash (outflow)/inflow from investing activities	(1,189)	(15,835)	158,892	(213,151)
Cash flows from financing activities				
Proceeds from issue of ordinary shares	-	3,146	-	3,146
Capital raising costs	-	(92)	-	(92)
Proceeds from borrowings	-	418,889	235,851	706,143
Repayment of borrowings	(25,000)	(485,720)	(381,107)	(578,170)
Dividends paid	-	(53,107)	(43,601)	(104,294)
Movement in restricted cash of subsidiary	1,741	-	(4,240)	-
Net cash (outflow)/inflow from financing activities	(23,259)	(116,884)	(193,097)	26,733
Net increase in cash and cash equivalents	25,288	18,310	24,659	16,135
Cash and cash equivalents at beginning of period	30,952	57,321	31,601	59,146
Effects of exchange rate changes on cash and cash equivalents	562	(2,884)	542	(2,534)
Cash and cash equivalents at end of period	56,802	72,747	56,802	72,747

RECONCILIATION OF NET INCOME ON AN ADJUSTED BASIS TO THE CONSOLIDATED INCOME STATEMENT

The income statement on page 5 of this report, and specifically the line titled 'Net income on an adjusted basis', has been prepared so as to present the earnings out of which MIIF dividends will be paid. The income statement on page 5 has not been prepared in accordance with applicable accounting standards. The consolidated income statement on page 10 has been prepared in accordance with International Financial Reporting Standards (IFRS). The table below reconciles the net income on an adjusted basis for the year to date 30 September 2008 presented in the income statement on page 5 of this report to the consolidated income statement of the Group (MIIF and its subsidiaries) for the year to date 30 September 2008 disclosed on page 10.

	Net Income[1] on an adjusted basis year to date 30 Sept 08 $'000	GAAP Adjustments[2] year to date 30 Sept 08 $'000	Consolidation Adjustments[3] year to date 30 Sept 08 $'000	MIIF Group[4] year to date 30 Sept 08 $'000
Income				
Investment revenue	94,575	(94,575)	-	-
Power supply revenue	-	-	4,453	4,453
Interest revenue	348	-	107	455
Other income	-	-	58	58
Net foreign exchange gain/(loss)	6,691	-	(5,569)	1,122
Net loss on financial assets at fair value through profit or loss	-	(72,631)	(14,905)	(87,536)
Total income/(loss)	101,614	(167,206)	(15,856)	(81,448)
Expenses				
Management fees	(8,075)	-	-	(8,075)
Directors' fees	(263)	-	(138)	(401)
Finance costs	(1,605)	-	(3,514)	(5,119)
Professional services	-	(3,016)	(223)	(3,239)
Other operating expenses	(7,105)	-	(6,385)	(13,490)
Total expenses	(17,048)	(3,016)	(10,260)	(30,324)
Profit/(loss) before income tax	84,566	(170,222)	(26,116)	(111,772)
Loss on disposal of investments	(2,471)	2,471	-	-
Income tax expense	-	-	(2,665)	(2,665)
Minority interest	-	-	(1,703)	(1,703)
Profit attributable to equity holders	82,095	(167,751)	(30,484)	(116,140)

1) This is the net income on an adjusted basis presented in the income statement on page 5.
2) These are adjustments that must be made to the net income on an adjusted basis to arrive at the net income on an unconsolidated basis, prepared in accordance with IFRS. For example, investment income is classified as 'net gain/loss on financial assets at fair value through profit and loss' under IFRS, therefore an adjustment was made to remove it from investment revenue.
3) This is a consolidation adjustment only. It reverses a portion of the net revaluation gains recognised in the unconsolidated income statement of MIIF that relates to assets which are consolidated in the consolidated income statement of MIIF as required under IFRS.
4) This is the consolidated profit after tax of the MIIF Group disclosed on page 10.

MACQUARIE INTERNATIONAL INFRASTRUCTURE FUND LIMITED

MANAGEMENT REVIEW: FOR QUARTER ENDED 30 SEPTEMBER 2008

REVIEW OF REVENUE AND EXPENSES FOR THE QUARTER ENDED 30 SEPTEMBER 2008

Presented in the income statement disclosed on page 5

REVIEW OF REVENUE

An analysis of MIIF's revenue items are as follows:

Total income of $94.6 million for the nine months to 30 September 2008 was 6.4 per cent lower compared to the pcp.

MIIF's total income of $51.5 million for the three months to 30 September 2008 was 67.3 per cent higher than the pcp. The higher income in the three months to 30 September 2008 was driven by the receipt of higher investment income from TBC of $7.2 million (2007: $0.9 million) and Arqiva of $11.5 million (2007: $5.1 million) when compared to the pcp. In addition, total income includes special distributions of $28.5 million. $14.4 million was due to a reduction of HNE's future liabilities when compared to MIIF's expectations at acquisition as a result of the completion of a number of initiatives, including the successful implementation of the acquisition transition plan and the refinancing of HNE with a 14-year term facility. $14.1 million from Arqiva was due to the release of cash balances that were built up while the Hold Separate was in force, which reflected a conservative approach while uncertainty surrounded the regulatory process.

MIIF did not receive any distribution income in the nine months to 30 September 2008 as its interests in listed investments (DUET Group, Macquarie Airports, Macquarie Communications Infrastructure Group and Macquarie Infrastructure Company) have been divested during 2007 and early 2008.

The table below provides a detailed breakdown of the distribution and investment income recognised by MIIF during the following reporting periods:

Investment	Quarter ended 30 Sept 08 $'000	Quarter ended 30 Sept 07 $'000	Year to date 30 Sept 08 $'000	Year to date 30 Sept 07 $'000
Distribution income				
DUET	-	-	-	2,856
MAp	-	-	-	5,989
MCG	-	-	-	5,123
MIC	-	-	-	1,058
Total distribution income	-	-	-	15,026
Investment income				
Arqiva	11,536	5,118	21,731	16,237
Brussels Airport	-	-	-	1,358
CAC	4,257	4,611	12,695	13,463
CXP	-	-	5,080	5,680
Miaoli Wind	-	-	413	-
TBC	7,166	908	17,363	908
HNE	-	-	-	-
MEIF	-	-	8,753	8,516
TanQuid	-	11,539	-	11,539
Total investment income	22,959	22,176	66,035	57,701
Special distributions	28,540	8,615	28,540	28,294
Total income	51,499	30,791	94,575	101,021

DESCRIPTION OF INCOME

Distribution income represents the distributions that MIIF receives from listed investments. MIIF has progressively disposed of its entire interest in the listed investments DUET Group (DUET), Macquarie Airports (MAp), Macquarie Communications Infrastructure Group (MCG) and Macquarie Infrastructure Company (MIC) since the second-half of 2007. These divestments were consistent with MIIF's focus on direct investments and on-going efforts to rebalance its portfolio towards the Asian region. MIIF does not currently own any listed investments and hence did not receive any distribution income during the year to date 30 September 2008.

Investment income represents the distributions that MIIF receives from unlisted investments. As at 30 September 2008, MIIF has interests in Arqiva, CAC, CXP, HNE, Miaoli Wind, MEIF and TBC.

Receipts of special distributions are once-off, non-recurring distributions not arising from operating earnings of the investments.

DISTRIBUTION POLICIES

The distribution policy of each of MIIF's businesses is to distribute all net cash flow generated from operations, reduced for debt servicing costs and minor maintenance capital expenditure, subject to legal requirements and prudent reserves. We expect distributions from MIIF's direct investments to continue to grow over time, resulting in increased distributions to investors, including MIIF.

The following table shows the typical frequency of distributions from each business.

Investment Portfolio	Frequency per annum	Distribution declaration date
Arqiva	2	June, December
CAC	12	Monthly
CXP	1	June
Miaoli Wind	1	July
TBC	2	June, December
HNE	1	September
MEIF	2	April, October

Accounting treatment of income

In the consolidated income statement on page 10, distribution and investment income are shown as part of "Net gain on financial assets at fair value through profit or loss" as per MIIF's accounting policies and International Financial Reporting Standards (IFRS).

Other revenue items

- Interest income

Interest income of $0.3 million for the year to 30 September 2008 arose from interest earned on cash deposits held in bank accounts. The interest receivable on these various accounts ranges from 0.3% to 7.0% per annum.

- Net foreign exchange gain

Several of MIIF's non-investment balances are denominated in a currency other than Singapore Dollars. These balances include cash-on-hand, expenses payable and distribution and investment income receivable. As foreign exchange (FX) rates move, the value of these balances change accordingly. The foreign exchange gain recognised for the year to date 30 September 2008 was due to the favourable movement of the exchange rates on these non-investment balances against the Singapore Dollars.

- Loss on disposal of investments

Consistent with MIIF's focus on direct investments and on-going efforts to rebalance its portfolio towards the Asian region, MIIF divested its interest in MAp in March 2008. The divestment resulted in a loss of $2.5 million. Notwithstanding, the investment generated an equity internal rate of return of 7.0% per annum for MIIF over its ownership period.

REVIEW OF EXPENSES

	Quarter ended 30 Sept 08 $'000	Quarter ended 30 Sept 2007 $'000	Year to date 30 Sept 08 $'000	Year to date 30 Sept 07 $'000
Expenses				
Management fees	1,570	4,586	8,075	12,144
Performance fees	-	-	-	3,146
Directors' fees	109	57	263	171
Finance costs	281	2,721	1,605	6,380
Other operating expenses	1,430	1,879	7,105	5,032
Total operating expenses	**3,390**	**9,243**	**17,048**	**26,873**

Total operating expenses of $17.0 million for the year to date 30 September 2008 were 36.6 per cent lower than the prior corresponding period. The decrease was primarily due to a lower level of transaction activity and weaker MIIF share price performance resulting in lower transaction costs, finance costs and management fees recognised for the period. There were also no performance fees recognised for the period.

An analysis of MIIF's expense items are as follows:

- Management fees

Management fees for the quarter ended and year to 30 September 2008 were lower when compared to the prior corresponding period because of MIIF's generally lower average market capitalisation in 2008. This has resulted in a lower net investment value of MIIF, which is the basis used to calculate fees payable to MIIF's manager.

- Directors' fees

Effective from 1 May 2008, each independent director is entitled to receive an annual director's fee of US$72,500, an increase of US$22,500 from the previous US$50,000. The increment was approved by MIIF's Remunerations Committee on 6 August 2008.

The MIIF Board of Directors comprises five members, of which four are independent of the Macquarie Group. The remaining MIIF Board member who is an executive of the Macquarie Group, is not entitled to be paid a director's fee. The total aggregated fee was higher than the prior corresponding period because of the increment, which took effect from 1 May 2008 and the appointment of an additional independent director, who was appointed in December 2007.

- Finance costs

Finance costs of $1.6 million for the quarter ended and year to 30 September 2008 were lower than the prior corresponding period. The lower finance costs were due to lower borrowing levels for the quarter ended and year to 30 September 2008 and hence lower interest expenses being incurred on borrowing facilities. MIIF's outstanding balance on its borrowing facilities was approximately $27.5 million as at 30 September 2008.

- Other operating expenses

Other operating expenses of $7.1 million for the year to 30 September 2008 were higher than the prior corresponding period. The increase was primarily due to the facility extension fee of $3.0 million incurred as a result of the renewal of MIIF's debt facility in May 2008. Other expense items that were reflected in this category relate to MIIF's normal day–to-day operations. These items include fees paid for share registrar services, SGX-ST listing and administration services, general legal services, audit services and professional fees incurred for financial and acquisition advice.

REVIEW OF NET ASSETS AND BALANCE SHEET AS AT 30 SEPTEMBER 2008

As presented in the balance sheet disclosed on page 8

ASSETS

- Trade and other receivables

Stand-alone current trade and other receivables decreased from $20.5 million as at 31 December 2007 to $4.8 million as at 30 September 2008. The balance as at 30 September 2008 primarily relates to inter-company receivables from MIIF's subsidiaries.

Group current trade and other receivables decreased from $18.8 million as at 31 December 2007 to $0.9 million as at 30 September 2008 due to the elimination of Group inter-company balances and the consolidation of Miaoli Wind's trade and other receivables.

- Current financial assets at fair value through profit or loss

Stand-alone current financial assets at fair value through profit or loss reflect 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 businesses for a period of up to 24 months in advance.

- Concession intangible assets

The movement from 31 December 2007 was due to the acquisition and consolidation of Miaoli Wind in March 2008. The fixed assets held by Miaoli Wind were recognised as intangible assets under International Financial Reporting Interpretations Committee, IFRIC 12: Service Concession Arrangements. Relevant amortisation for the period from 20 March 2008 to 30 September 2008 was recognised in the income statement.

- Non-current financial assets at fair value through profit or loss

Stand-alone non-current financial assets at fair value through profit or loss decreased from $1,779.9 million as at 31 December 2007 to $1,484.9 million at 30 September 2008. This balance reflects the Directors' valuation of the fair value of MIIF's businesses as at 30 September 2008. Included in the valuation is the fair value of long term foreign currency forward contracts of $1.6 million that MIIF has entered into to hedge forecast distributions. The decrease in valuation of existing assets was substantially due to the sale of MAp, which resulted in a reduction in valuation of approximately $181.1 million when compared to 31 December 2007.

The following table sets out a reconciliation of the value of MIIF's investments from 31 December 2007 to 30 September 2008.

	Company Balance at 31 Dec 07 $'000	Additional investment / (divestment) $'000	Distribution received from investments $'000	Foreign exchange effects $'000	Revaluation to 30 Sept 08 $'000	Company Balance at 30 Sept 08 $'000
Listed securities						
MAp	181,136	(152,890)	-	2,209	(30,455)	-
	181,136	(152,890)	-	2,209	(30,455)	-
Unlisted securities						
Arqiva	516,945	-	(35,875)	(51,731)	(10,317)	419,022
CAC	148,218	-	(12,695)	(10,234)	(10,479)	114,810
CXP	114,430	-	(5,080)	-	4,000	113,350
Miaoli Wind	-	25,941	(413)	(1,422)	2,484	26,590
TBC	167,512	-	(17,363)	324	16,261	166,734
HNE	298,047	-	-	20,506	11,281	329,834
MEIF	353,572	-	(8,753)	(12,669)	(19,283)	312,867
Others	57	-	-	-	-	57
	1,598,781	25,941	(80,179)	(55,226)	(6,053)	1,483,264
Total investments	1,779,917	(126,949)	(80,179)	(53,017)	(36,508)	1,483,264

MIIF fair values all of its investments in its stand-alone accounts. A detailed discounted cash flow was developed to calculate the value at which each business could potentially be sold under normal conditions and on a willing buyer-willing seller basis.

Group non-current financial assets held at their fair value have decreased from $1,813.4 million as at 31 December 2007 to $1,494.9 million as at 30 September 2008. This balance reflects the fair value of all of MIIF's investments after consolidation.

LIABILITIES

- Trade and other payables

Stand-alone trade and other payables decreased from $37.1 million as at 31 December 2007 to $4.5 million as at 30 September 2008. This amount comprises of $1.6 million of management fees payable to the Manager and other accrued expenses.

Group trade and other payables comprises both company level balances and trade and other payables of MIIF's subsidiaries.

- Borrowings

Stand-alone company borrowings decreased from $178.2 million as at 31 December 2007 to $27.5 million as at 30 September 2008. This reduction was primarily due to the repayment of MIIF's outstanding borrowings from proceeds received from the sale of MAp.

Group short term borrowings have reduced from $178.2 million as at 31 December 2007 to $34.1 million as at 30 September 2008 due to a reduction in the company level borrowings of MIIF as explained above and the consolidation of Miaoli Wind's short term borrowings. Group long term borrowings have increased to $89.1 million as at 30 September 2008 due the consolidation of Miaoli Wind's long term borrowings. Equipment, building, cash and shares of Miaoli Wind were pledged with the lender as collateral for the borrowings of $95.6 million.

The following table illustrates the ageing of MIIF's borrowings:

	Group as at 30 Sept 08 $'000	Group as at 31 Dec 07 $'000	Company as at 30 Sept 08 $'000	Company as at 31 Dec 07 $'000
Amount repayable in one year or less, or on demand	34,075	178,224	27,519	178,224
Amount repayable after one year	89,085	-	-	-
Total borrowings	123,160	178,224	27,519	178,224
Amount secured	95,641	-	-	-
Amount unsecured	27,519	178,224	27,519	178,224
Total borrowings	123,160	178,224	27,519	178,224

- Non-current financial liabilities held at their fair value

The Group balance of non-current financial liabilities held at their fair value as at 30 September 2008 represents the fair value of financial liabilities of Miaoli Wind, MIIF's 100% owned subsidiary.

NET ASSET VALUE

MIIF uses the discounted cash flow (DCF) approach to perform the valuation of its investments as it is considered to provide the best estimate of the fair value of the investments, being the amount for which the investment could be exchanged between informed, willing parties in an arm's length transaction.

MIIF uses the 10 year government bond rate in each jurisdiction as a proxy for the risk free rate. The risk free rate is a component of the discount rate applied to its investment cash flows in deriving its valuations. As shown in the table below, there has been a general reduction in 10 year government bond rates over the quarter ending 30 September 2008, as a result of specific government stimulus aimed at easing pressures in the financial markets and the broader economy.

	Risk Free Rate 10 Year Government Bond Rate		Risk Free Rate Adopted by MIIF at 30 Sep 2008
	30 Jun 2008	30 Sep 2008	
Arqiva	5.2%	4.5%	5.2%
CAC	3.8%	3.8%	3.8%
CXP	4.3%	3.8%	4.3%
Miaoli Wind	2.7%	2.2%	2.7%
TBC	2.7%	2.2%	2.7%
HNE	4.3%	3.8%	4.3%
MEIF[1]	5.0%	4.5%	5.0%

Generally, a reduction in the risk free rate will result in an increase in the valuation. However, due to the current volatility in the debt and equity markets, it is the MIIF Board's view that it would be inappropriate to increase the MIIF valuations at 30 September 2008 solely as a result of the reduction in the risk free rates. Further, the recent reduction in risk free rates is likely to have been offset by an increase in the equity risk premia, such that there may be an overall increase in the discount rates.

At this time there are insufficient definitive data points on which to base appropriate adjustments to the discount rates, the MIIF Board has decided not to adjust the risk free rates downwards, or make upward adjustments to the equity risk premia at 30 September 2008. In line with our stated accounting policy, this action will be reviewed at the next valuation date and MIIF will continue to monitor market trends and transactions.

[1] Weighted average based on valuations of MEIF assets.

As a guide to shareholders, if there were definitive data points, which would have allowed MIIF to adjust the equity risk premia to reflect current market conditions and thereby increase the discount rates on each of its investments by 100, 300 or 500 basis points, the impact on MIIF's Net Asset Value (NAV) would have been as follows.

Increase in Discount Rate	Impact on Current Valuation	MIIF's NAV per ordinary share
100 basis points	Decrease by 7.2%	S$1.04
300 basis points	Decrease by 19.7%	S$0.90
500 basis points	Decrease by 29.4%	S$0.79

Based on the adopted discount rates at 30 September 2008 which reflect the risk free rates at 30 June 2008, MIIF's NAV per share is $1.12 as shown in the table below. However, if the discount rates were adjusted downwards in line with the reduction in risk free rates at 30 September 2008 and without any corresponding upward adjustments to the equity risk premia, MIIF's NAV per share would have been $1.17.

Comparative data for MIIF and the Group is outlined in the table below.

	Group As at 30 Sept 08	Group As at 31 Dec 07	Company As at 30 Sept 08	Company As at 31 Dec 07
Net Asset Value				
Total net asset value ($'000)	1,475,454	1,681,563	1,457,080	1,641,428
Total number of ordinary shares on issue used in calculation of net asset value per share ('000)	1,296,253	1,282,452	1,296,253	1,282,452
Net asset value per ordinary share ($ per share)	1.14	1.31	1.12	1.28

MIIF's stand-alone NAV decreased from $1,641.4 million as at 31 December 2007 to $1,457.1 million as at 30 September 2008, taking its NAV per share to $1.12 for the period. Group net assets decreased from $1,681.6 million as at 31 December 2007 to $1,475.5 million as at 30 September 2008.

The movement in MIIF's NAV per share from 31 December 2007 to 30 September 2008 is outlined below.

	Company As at 30 Sept 08	Company As at 30 June 08	Company As at 31 Mar 08	Company As at 31 Dec 07
Net asset value per ordinary share ($ per share)	1.12	1.22	1.20	1.28

31 December 2007 to 31 March 2008:

NAV per share reduced from $1.28 to $1.20 due to:

- the provision for 2007 final dividends; and
- the difference between the mark-to-market value of MIIF's investment in MAp at 31 December 2007 and the proceeds from the sale of this investment in the 31 March 2008 quarter.

31 March 2008 to 30 June 2008:

NAV per share increased from $1.20 to $1.22 mainly due to the valuation gains of HNE.

30 June 2008 to 30 September 2008:

NAV per share reduced from $1.22 to $1.12 mainly due to the reduction in the fair value of Arqiva and MEIF as well as the provision for 2008 interim dividends.

ENTERPRISE VALUE

MIIF's Enterprise Value (EV) is calculated by aggregating:

- Proportionate operating businesses' net debt, based on MIIF's proportionate beneficial interest as 30 September 2008
- MIIF's net debt outstanding as at 30 September 2008; and
- MIIF businesses' equity attributable to MIIF's Shareholders as at 30 September 2008.

	As at 30 September 08 $'000	As at 30 June 08 $'000
Proportionate operating businesses' net debt	2,258,363	2,296,723
MIIF net (cash)/debt	(24,733)	22,717
MIIF businesses' equity attributable to MIIF shareholders	1,483,207	1,597,790
Enterprise Value (EV)	3,716,837	3,917,230
Net debt as a percentage (%) of EV		
Total operating businesses' net debt as a % of EV	61%	59%
Total MIIF net debt as a % of EV	60%	59%

Net debt is reported at both the operating business level and at MIIF level. Operating business' net debt is calculated at each of the relevant operating businesses by subtracting total cash-on-hand from total debt as at 30 September 2008.

The operating businesses' equity value attributable to MIIF Shareholders is calculated by aggregating MIIF's interest in the fair values of the individual businesses.

MIIF's total gearing as a percentage of EV is 60% as at 30 September 2008. Total gearing is calculated by dividing the sum of MIIF's proportionate beneficial interest in the operating businesses' net debt and MIIF's net debt by enterprise value.

CASH FLOW ANALYSIS

Cash proceeds generated from MIIF's operations until the payment date of MIIF's interim dividend on 15 October 2008, together with its cash balance at the beginning of the period, will be used to pay the interim dividend declared by MIIF for the six months to 30 June 2008.

Excluded from cash and cash equivalents was an amount of $4.2 million which is restricted for use as the cash deposit has been pledged by Miaoli Wind to the lender as collateral for the loan facility of Miaoli Wind.

INTERESTED PERSON TRANSACTIONS DISCLOSURE

- Directors

The following persons were directors of MIIF during the year to 30 September 2008:

	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
Lee Suet Fern	20 December 2007	Not applicable

- Directors' remuneration

John Roberts is an executive director of Macquarie Group Limited (MGL), the ultimate parent entity of Macquarie Infrastructure Management (Asia) Pty Limited (the Manager), and is not entitled to any remuneration from MIIF, other than reimbursement of expenses incurred on behalf of MIIF. With effect from 1 May 2008, Heng Chiang Meng, Robert Mulderig, Michael Hamer and Lee Suet Fern are entitled to a total remuneration of US$72,500 per annum each (2007:US$50,000).

- The Manager

The Manager was appointed by MIIF as the sole and exclusive manager pursuant to a Management Agreement dated 19 May 2005.

The following transactions occurred between MIIF and the Manager during the quarter:

	Group Quarter ended 30 Sept 08 $'000	Group Quarter ended 30 Sept 07 $'000	Company Quarter ended 30 Sept 08 $'000	Company Quarter ended 30 Sept 07 $'000
Transactions				
Base management fees	1,570	4,586	1,570	4,586
Dividends	4,538	4,316	4,538	4,316

The following balances remained outstanding between the MIIF and the Manager as at 30 September 2008:

	Group As at 30 Sept 08 $'000	Group As at 30 Sept 07 $'000	Company As at 30 Sept 08 $'000	Company As at 30 Sept 07 $'000
Balances				
Accrued base management fees	1,583	4,586	1,583	4,586

The Manager holds 106,776,610 ordinary shares in MIIF.

For the quarter ended 30 September 2008, the MIIF Accumulation Index[2] was lower than the agreed benchmark annual return of 8% (2.0% for the period). Consequently, no performance fee was payable to the Manager and a performance fee deficit[3] will be carried forward to the next quarter.

MIIF retained the services of qualified independent advisors, who have confirmed that the performance fee deficit has been determined in accordance with the Management Agreement between the Manager and MIIF dated 19 May 2005, which was disclosed in the MIIF Prospectus.

- Macquarie Group (Macquarie)

Macquarie Group Limited (MGL) and in particular Macquarie Capital Advisers Limited (MacCap Adv) are important sources of acquisition opportunities and financial and acquisition advice.

In the quarter ended 31 March 2008, the Group engaged MacCap Adv of MGL to advise on the acquisition of Miaoli Wind. The final fees paid to MacCap Adv were $3.0 million. The fees paid were approved by the independent members of the MIIF Board, and confirmed by an independent firm that the level of fees paid were consistent with similar transactions and were on normal commercial terms and conditions.

ARQIVA TRANSACTION

In the quarter ended 30 September 2008, MIIF agreed to purchase its proportionate pre-emptive rights in relation to its interest in Macquarie UK Broadcast Holdings Limited (Arqiva) from Challenger Towers Limited, a subsidiary of Challenger Infrastructure Fund Limited.

As the retention of the additional interest in Arqiva at the purchase price has minimal strategic value and was not in line with MIIF's stated investment strategy to increase its investment base in Asia, MIIF agreed to on-sell such interest to Macquarie European Infrastructure Fund II (MEIF II), a fund managed by a subsidiary of Macquarie Group Limited. The sale price of £19.8 million ($50.6 million), comprised of the purchase price plus costs incurred by MIIF. The transaction had no financial impact on MIIF.

[2] The performance of the MIIF Accumulation Index is measured as the average index value over the last 15 SGX-ST trading days of each three month period compared to the preceding three month period

[3] Where the MIIF Accumulation Index has underperformed the benchmark in prior periods, this underperformance is carried forward as a deficit and taken into account in calculating the performance fee payable. The deficit carried forward in relation to this calculation is approximately $752 million

LEASE AGREEMENT

During the quarter, three subsidiaries of MIIF, Miaoli Wind Co (previously known as infraVest Wind Power Co., Ltd), Macquarie International Taiwan Co., Ltd and Macquarie International Enterprise Co., Ltd entered into agreements with Macquarie Securities Taiwan to sub-lease office space in the Taipei office of Macquarie Securities. These subsidiaries were required to establish a physical presence in Taiwan for tax and corporate registration purposes. The total rental under the sub-leases, NT$32,000 ($1,424) per month, was calculated based on the same price per unit that Macquarie Securities Taiwan was charged under the head lease with an independent third party lessor. In addition, the terms of the sub-leases also mirror the terms of the head lease in all important respects.

FOREIGN EXCHANGE TRANSACTIONS

MIIF utilises the services provided by MGL's foreign exchange department from time to time to enter into foreign exchange forward contracts based on arms length competitive market rates. The listing of foreign currency transactions entered into for the current quarter and the relevant related party charges incurred were provided to the independent members of the MIIF Board for review.

ADDITIONAL INFORMATION

- Disclosure, audit and review of financial statements

Pursuant to Rule 705(1) of the SGX-ST Listing Manual, the financial statements for the quarter ended 30 September 2008 have been disclosed within 45 days after the end of the relevant financial period.

- Review by Independent Auditor

The financial statements for the quarter ended 30 September 2008 have not been audited or reviewed by the Group's auditor, PricewaterhouseCoopers.

- Basis of preparation

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current period as that of preceding accounting periods. There are no substantial changes to the Group's accounting policies.

The financial statements are consistent with those set out in the 2007 audited financial statements which have been prepared in accordance with IFRS. There have been no changes to the accounting policies described in the 2007 audited accounts except for the adoption of certain revised International Financial Reporting Standards (IFRS) and Interpretations to IFRS (INT FRS) that became mandatory from 1 January 2008.

The adoption of these revised standards did not have a material impact on the results of the Group, except for IFRIC Interpretation 12, Service Concession Arrangements (IFRIC 12) which is effective from 1 January 2008. A substantial portion of Miaoli Wind's (MIIF's fully owned subsidiary) assets are used within the framework of concession contracts. Such assets are not recognised as property, plant and equipment but as intangible assets. The carrying value of the property, plant and equipment that was reclassified to Concession Intangible Assets was amortised on a straight-line basis, over the concession period. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

- Goodwill

Goodwill represents the excess of the cost of an acquisition of a business over its fair value at the end of the acquisition of the Group's share of their identifiable net assets.

Goodwill of $7.1 million has been recognised on consolidation of the acquired and assumed assets and liabilities of Miaoli Wind. The goodwill represents the excess of the amount paid by MIIF for Miaoli Wind over the fair value of the net identifiable assets of Miaoli Wind 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 assumed. In accordance with the International Financial Reporting Standard, IFRS 3: Business Combinations, the difference between the final assessed values of these assets and liabilities compared to the assets and liabilities of Miaoli Wind that have been consolidated and included in this report, 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 Miaoli Wind.

- Functional and presentation currency

All figures, unless otherwise stated are presented in Singapore dollars, which is MIIF's functional and presentation currency.

- Rounding of amounts in the financial statements

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

- Effects from timing of distributions

MIIF's revenue is driven by the frequency of distributions from its underlying investments. The frequency of distributions ranges from monthly to annually depending on the underlying asset.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

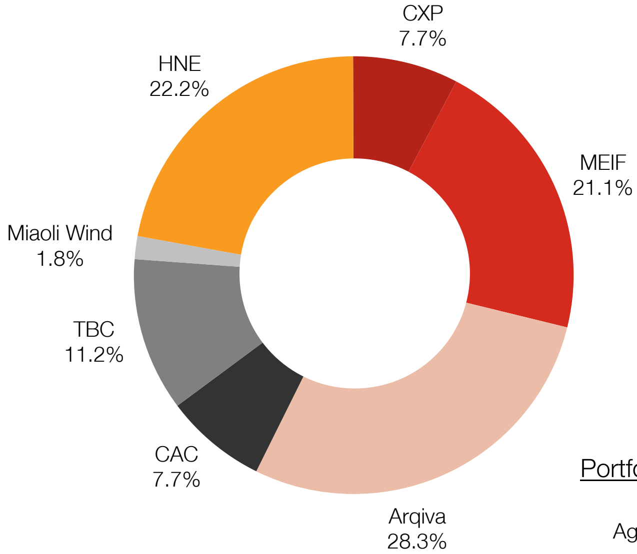
Subsequent to 30 September 2008, 1,550,718 ordinary shares of par value of $0.01 each in the capital of MIIF (the New Shares) were issued on 15 October 2008. The New Shares were allotted and issued at an issue price of $0.70 for each New Share to eligible shareholders who had elected to participate in the Scrip Dividend Scheme in respect of the Interim Dividend.

Consequent to the issue of the New Shares, the number of issued and paid-up ordinary shares of MIIF has increased from 1,296,253,436 to 1,297,804,154.

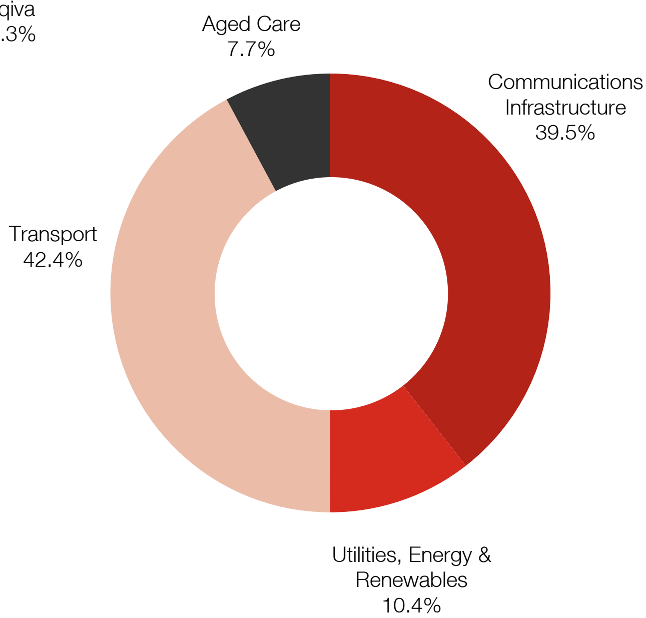
INVESTMENT PORTFOLIO

The following diagrams show the contributions that various investments make to MIIF's overall portfolio based on 30 September 2008 fair valuation of each business:

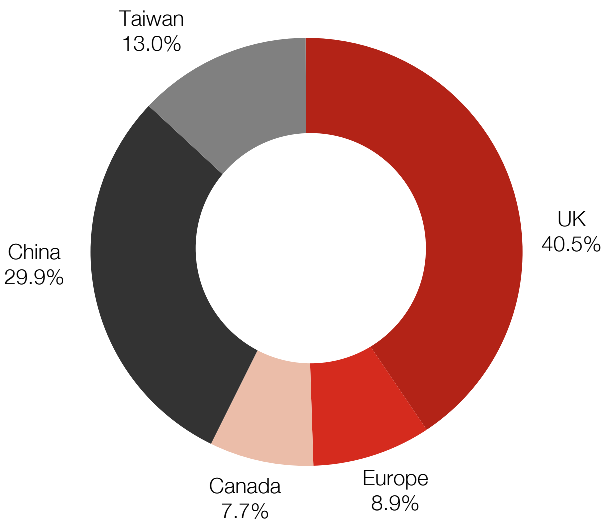
Portfolio Composition by Value



Portfolio Composition by Industry



Portfolio Composition by Country/Region



Arqiva and National Grid Wireless (NGW)

Date of initial acquisition	27 May 2005
Cost of acquisition	S$434.8 million[5]
Valuation[6]	S$419.0 million
MIIF ownership	8.7% interest
% of MIIF portfolio[6]	28.3%

Arqiva is an infrastructure based provider of terrestrial and satellite broadcasting transmission, wireless communications and services to public safety organisations in the United Kingdom (UK). Arqiva controls a large portfolio of broadcast towers, satellite transmission facilities and other communications infrastructure. Arqiva provides transmission services to TV and radio broadcasters, site leasing to mobile phone and other wireless communication companies, and radio services to police, fire and ambulance services covering around 99% of UK's population. Arqiva owns and operates approximately 580 towers for radio and television broadcasts[4], and approximately 3,500 sites for mobile communications[4].

NGW is an infrastructure based provider of services to broadcasters, mobile network operators, and owns and operates two of the six TV multiplexes – each a group of digital TV channels in the UK. NGW owns and operates approximately 570 towers for radio and television transmission broadcasts[4] and approximately 5,500 sites for mobile communications[4].

Acquisition update

The legal undertakings between Macquarie UK Broadcast Holdings Limited (MUKBHL), the vehicle through which MIIF invests in Arqiva, Macquarie MCG International Limited and others[7], and the UK Competition Commission (Commission) regarding the merger of Arqiva and NGW have been finalised and signed by all parties.

The 'Hold Separate' arrangements, which have been in place since the acquisition of NGW in April 2007, were lifted on 1 September 2008 and full integration of the two companies has commenced and is progressing well.

Digital Switch Over process (DSO)

DSO is a substantial engineering project in the broadcasting industry in the UK, and is due to be completed by 2012. Arqiva has been working with the UK Government and Digital UK to replace the existing analogue and low power digital transmitter system with high power digital transmitters at 1,154 sites. Post DSO, 98.5% of the population in the UK will be able to receive digital television. Arqiva successfully performed the first switchover from analogue to digital broadcasting in October 2007, in the Whitehaven region, and is now looking at carrying out the next switchover phase in the Border region[8] in early 2009.

[4] As at 30 June 2008
[5] Acquisition cost comprises of initial acquisition of S$175.7 million on 27 May 2005 and rights issue of S$259.1 million for the add-on acquisition of NGW on 4 April 2007
[6] Based on 30 September 2008 valuations. Numbers are subject to rounding
[7] Macquarie European Infrastructure Fund II (MEIF II), Macquarie European Infrastructure Fund III (MEIF III) and Macquarie Capital Funds (Europe) Limited, as manager of MEIF II and MEIF III
[8] Describes a region located in the north of UK along the border with Scotland

The merger of Arqiva and NGW will ensure the success of the DSO project through improved efficiency and streamlined engineering and construction workflows. The improved efficiency of the DSO program is expected to bring significant cost synergy and capital expenditure saving, in which the various broadcasting customers will participate.

Key operational statistics[9,10] can be found in the tables below.

Arqiva only

(£'million)	6 months to June 2008	6 months to June 2007	Variance
Revenue	238.2	198.8	19.8%
Operating Expenses	(174.6)	(133.1)	(31.2%)
EBITDA	63.6	65.7	(3.2%)
EBITDA Margin	26.7%	33.0%	

Revenue breakdown for Arqiva only

(£'million)	6 months to June 2008	6 months to June 2007	Variance
Satellite Media	113.3	74.5	52.1%
Terrestrial Media	71.0	68.6	3.5%
Wireless solutions	27.1	25.6	5.9%
Public safety	26.8	30.1	(11.0%)

NGW only[11]

(£'million)	6 months to June 2008	6 months to June 2007[12]	Variance
Revenue	164.3	159.4	3.1%
Operating Expenses	(81.8)	(85.6)	4.4%
EBITDA	82.5	73.8	11.8%
EBITDA Margin	50.2%	46.3%	

[9] Figures shown are results published on 30 June 2008
[10] Includes intercompany revenue and expenses between Arqiva and NGW
[11] Limited information is available due to Hold Separate undertakings during the period under review
[12] Pro-forma results

Business Commentary (6 months to June 2008)

Financial Performance (Arqiva only)

- Revenue was 19.8% higher compared to the prior corresponding period due to the increase in satellite media revenue following the acquisition of BT Satellite Broadcast Services (BT SBS) on 31 March 2007. This was reduced by a decrease in public safety revenue driven by the completion of the ntl:Telewest mechanical and electrical support and transmission maintenance contracts in 2007.
- Operating expenses were 31.2% higher compared to the prior corresponding period as a result of the costs related to the inclusion of the BT SBS results for the half-year.
- The EBITDA margin has fallen from 33.0% to 26.7% due to the inclusion of the BT SBS business which includes lower margin products such as satellite capacity resale.

Operations

- Arqiva has secured long term high-power Digital Terrestrial Television (DTT) contracts (approximately 25 years) with BBC, Digital 3 & 4, and SDN[13] with a combined order book of approximately £3.7 billion.
- The successful integration of the BT SBS business has extended Arqiva's reach and customer service capability with teleports in France and the USA. Currently, Arqiva uplinks 301 TV channels and 49 radio stations for the Sky UK platform.
- Growth in the demand for wireless towers slowed as 3G networks reached coverage of around 80% of the population and slowed their network build. New technologies such as WiMAX may provide additional opportunities for the wireless business if the technology becomes widely accepted in the UK.

Outlook

- The two key areas of focus for Arqiva are the execution of the DSO and the integration of Arqiva and NGW.

[13] A wholly-owned subsidiary of ITV plc

Canadian Aged Care (CAC)

Date of initial acquisition	24 Nov 2005
Cost of acquisition	S$164.9 million
Valuation[6]	S$114.8 million[14]
MIIF ownership	55% interest
% of MIIF portfolio[6]	7.7%

CAC is a portfolio of long-term care facilities (LTC) in Ontario, Canada. Operating since 1975, CAC provides 4,396 beds across 26 LTC facilities, 1 retirement home and 1 independent living facility.

CAC is currently the third largest operator of LTC homes in Ontario. LTC homes are a vital part of a community's social infrastructure and share features that characterise other high-quality infrastructure businesses, including relatively stable revenue, significant barriers to entry and low demand variability.

A LTC home that provides basic accommodation for at least 40% of residents may offer the remaining residents preferred accommodation in semi-private or private rooms. The LTC home operator retains the premiums collected for such preferred accommodation, which typically increases revenue and enhances profitability.

Key operational statistics can be found in the table below.

Average occupancy (%)	3 months to Sept 2008	3 months to Sept 2007	Variance	9 months to Sept 2008	9 months to Sept 2007	Variance
LTC Private Occupancy	93.3%	87.3%	6.0%	92.5%	84.8%	7.7%
LTC Total Occupancy	98.7%	98.4%	0.3%	98.3%	98.3%	-%

(C$'million)	3 months to Sept 2008	3 months to Sept 2007	Variance	9 months to Sept 2008	9 months to Sept 2007	Variance
Revenue	64.2	44.8	43.3%	182.0	134.0	35.8%
Operating Expenses	(56.3)	(37.2)	(51.3%)	(159.8)	(114.5)	(39.6%)
EBITDA	7.9	7.6	3.9%	22.2	19.5	13.8%
EBITDA Margin	12.3%	17.0%		12.2%	14.6%	

BUSINESS COMMENTARY (3 MONTHS TO SEPTEMBER 2008)

Financial Performance

- EBITDA was 3.9% higher compared to the prior corresponding period due to higher revenues. For the quarter ended 30 September 2008, CAC generated revenue of C$64.2 million compared with C$44.8 million in the prior corresponding period. This C$19.4 million increase was primarily driven by the contributions of the seven LTC homes that were acquired from Counsel Corporation at the end of January 2008, as well as increased utilisation of private accommodation across CAC's

[14] The decrease in valuation reflects the new Long-Term Care Homes Act 2006 (the Act) and subsequent revision in CAC's debt assumptions. Prior to the Act, which received Royal Assent in June 2007, long-term care licences in the Province of Ontario had one-year terms subject to automatic renewal provided that compliance requirements were met. The Act fixed term limits on LTC licences, ranging from 15 to 25 years depending on a home's structural classification. The S$ appreciation against the C$ since acquisition has also contributed to the decrease in valuation

portfolio. Operating expenses for the quarter were also higher, reflecting the acquisition of the seven LTC homes and the associated increases in staff and operating costs.

- EBITDA margin was negatively impacted mainly due to higher maintenance expense on the refurbishment of the seven newly-acquired homes, additional preferred health care services costs and greater head office expenses.

BUSINESS COMMENTARY (9 MONTHS TO SEPTEMBER 2008)

Financial Performance

- EBITDA was 13.8% higher compared to the prior corresponding period, driven by the contributions of the seven newly-acquired homes and greater use of private accommodation across CAC's portfolio.

Operations

- LTC private occupancy was 7.7% higher compared to the prior corresponding period, which reflects increased marketing efforts.
- On 1 February 2008, CAC signed an agreement to acquire the Good Samaritan Seniors Complex which consists of a 64-bed Class A LTC home and an attached 24-bed retirement home located in Alliston, Ontario, for approximately C$11.1 million plus transaction costs. Financial close is expected to occur before the end of 2008, pending approval from the Ministry of Health and Long Term Care. Upon completion of the transaction, CAC will provide 4,884 beds across 27 LTC facilities, 2 retirement homes, and 1 independent living facility.

Outlook

- Ongoing initiatives to find solutions that will enhance the quality of care and accommodation for all of CAC's LTC residents.
- CAC will continue to seek growth opportunities, primarily complementary acquisitions of existing LTC homes in the fragmented Ontario marketplace.

Changshu Xinghua Port (CXP)

Date of initial acquisition	2 Dec 2005
Cost of acquisition	S$112.3 million
Valuation[6]	S$113.4 million
MIIF ownership	38% interest
% of MIIF portfolio[6]	7.7%

CXP is a multipurpose cargo port centrally located within the Yangtze River Delta industrial zone, a high-growth industrial region which includes the cities of Suzhou, Wuxi and Changshu. CXP's hinterland is one of China's fastest growing industrial regions. This hinterland and Shanghai, China's epicentre for commerce, forms CXP's platform for future growth.

CXP's cargo base consists of bulk cargo comprising mainly steel and forestry related products and containers. CXP will continue to build on its diversified cargo base while maintaining its position as a regional hub for steel and forestry products.

Key operational statistics can be found in the tables below.

Volume	3 months to Sept 2008	3 months to Sept 2007	Variance	9 months to Sept 2008	9 months to Sept 2007	Variance
Container (TEU[15])	26,129	18,888	38.3%	75,057	66,785	12.4%
Steel (tonnes)	896,342	691,473	29.6%	2,144,089	2,392,603	(10.4%)
Non-steel (tonnes)	205,143	148,648	38.0%	613,038	537,240	14.1%
Forestry Products (tonnes)	451,894	576,901	(21.7%)	1,453,328	1,365,273	6.4%
Total (tonnes)	1,553,379	1,417,022	9.6%	4,210,455	4,295,116	(2.0%)

(RMB'million)	3 months to Sept 2008	3 months to Sept 2007	Variance	9 months to Sept 2008	9 months to Sept 2007	Variance
Revenue	58.2	55.7	4.5%	160.3	166.0	(3.4%)
Operating Expenses	(28.2)	(23.3)	(21.0%)	(73.3)	(71.6)	(2.4%)
EBITDA	30.0	32.4	(7.4%)	87.0	94.4	(7.8%)
EBITDA Margin	51.5%	58.2%		54.3%	56.9%	

[15] Twenty-foot equivalent unit

BUSINESS COMMENTARY (3 MONTHS TO SEPTEMBER 2008)

Financial Performance

- Operating expenses were 21.0% higher compared to the prior corresponding period primarily due to one-off costs including legal fees and prior years' tax correction.
- EBITDA was 7.4% lower compared to the prior corresponding period as the above increase in costs more than offset the increase in revenue over the quarter.

Operations

- Container volumes were 38.3% higher compared to the prior corresponding period, largely due to an increase in containerized pulp volume.
- Steel volumes were 29.6% higher compared to the prior corresponding period due to the difference between China and international steel prices. An anticipated cancellation in tax rebates on steel alloy also contributed to the increase in steel exports.
- Non-steel volumes were 38.0% higher compared to the prior corresponding period as management established new shipments such as borax and cassava.
- Forestry volumes were 21.7% lower compared to the prior corresponding period due to timing differences across the quarters. It should be noted that forestry volumes for the 9 months to Sept 2008 were 6.4% higher compared to the prior corresponding period.

BUSINESS COMMENTARY (9 MONTHS TO SEPTEMBER 2008)

Financial Performance

- EBITDA was 7.8% lower compared to the prior corresponding period primarily due to a reduction in volume of steel product, the significant increase in statutory pay CXP has had to absorb, as well as the once-off expenses incurred in the 3 months to September 2008.

Operations

- Overall steel volumes were 10.4% lower compared to the prior corresponding period as the export tariffs introduced in late 2007 depressed demand from Europe and the US for Chinese steel during the early period of 2008. This was offset by management's initiative to diversify CXP's cargo mix and reduce its reliance on the steel industry. Hence, the overall bulk cargo volume is still in line with the prior corresponding period.

Outlook

- CXP is pursuing a strategy to attract cargo owners, ship operators, and regional specialist mills. In addition, CXP will continue to actively pursue initiatives to increase productivity, cost control and service quality.
- CXP remains the leading forestry port in the region due to its successful partnership with the Belgian forestry specialist, Westerlund, and its ability to expand warehouse capacity to accommodate growth.

Hua Nan Expressway (HNE)

Date of initial acquisition	19 Nov 2007
Cost of acquisition[16]	$295.7 million
Valuation[6]	$329.8 million
MIIF ownership	81% interest
% of MIIF portfolio[6]	22.2%

HNE is a 31-kilometre dual-carriage urban toll road in the city of Guangzhou, the capital of Guangdong province in China. It is the main artery for north-south traffic in Guangzhou, enabling easy access to South China. As a crucial urban infrastructure in one of China's fastest growing economic regions, HNE is intersected by 8 expressways, ensuring excellent connectivity.

Key operational statistics can be found in the tables below.

Total volume of vehicles types ('000)	3 months to Sept 2008	3 months to Sept 2007	Variance	9 months to Sept 2008	9 months to Sept 2007	Variance
Passenger vehicles	7,490.4	7,136.6	5.0%	22,241.6	20,425.4	8.9%
Minibus / Light Truck	601.5	745.9	(19.4%)	1,887.2	2,262.5	(16.6%)
Medium Bus / Truck	1,531.9	1,848.5	(17.1%)	4,840.2	5,485.2	(11.8%)
Large Bus / Large Truck	149.2	174.4	(14.4%)	454.0	443.5	2.4%
Heavy Duty Truck / Trailer	322.0	442.7	(27.3%)	995.9	1,187.0	(16.1%)
Total Vehicles	10,095.0	10,348.1	(2.4%)	30,418.9	29,803.6	2.1%

(RMB'million)	3 months to Sept 2008	3 months to Sept 2007	Variance	9 months to Sept 2008	9 months to Sept 2007	Variance
Revenue	108.5	118.1	(8.1%)	332.4	334.9	(0.7%)
Operating Expenses	(21.9)	(19.2)	(14.1%)	(65.6)	(52.1)	(25.9%)
EBITDA	86.6	98.9	(12.4%)	266.8	282.8	(5.7%)
EBITDA Margin	79.8%	83.7%		80.3%	84.4%	

[16] Originally announced acquisition price of $329.5m included $295.7m invested at acquisition, and $33.8m of Acquisition Adjustments contingent upon certain events

BUSINESS COMMENTARY (3 MONTHS TO SEPTEMBER 2008)

Financial Performance

- Toll revenue was 8.1% lower compared to the prior corresponding period. This was due to the following reasons:
  - The negative impact of the Olympics resulting from the visa restrictions imposed on foreigners and the lower level of economic activity in China while the games were being held.
  - The typhoons which hit Guangdong province and neighbouring Hong Kong resulted in less traffic during those periods[17].
- The increased operating costs reflect once-off transition costs and the salary adjustment which were incurred this year.

Operations

- The total volume of Passenger vehicles increased by 5.0%. This was largely due to the general increase in car ownership in China.
- The total volume of Medium Bus/Truck and Heavy Duty Truck/Trailer type vehicles was 19.1% lower compared to the prior corresponding period due to recently implemented traffic controls which restrict these vehicle types from entering the city between 7 a.m. to 9 a.m. and 7 p.m. to 9 p.m. These restrictions came into effect in late 2007.
- The 14.4% fall in Large Bus/ Large Truck type vehicles was due to the 10-day closure of Guangyuan tunnel, a feeder tunnel into HNE, for repairs.
- The 19.4% fall in Minibus / Light Truck was due to the general trend of factories relocating further away from Guangzhou City. This resulted in more factories using larger trucks to transport goods in order to save costs.

BUSINESS COMMENTARY (9 MONTHS TO SEPTEMBER 2008)

Financial Performance

- Toll revenue was 0.7% lower compared to the prior corresponding period. The main reason for this is because of the unseasonal and extremely cold weather in China in February, flooding in the Guangdong Province in June and the negative impact of the Olympics. This was partially offset by the international conferences held at the nearby Bazhou Convention Centre and the partial closure of the Luoxi Bridge.
- The increased operating costs reflect once-off transition costs and the salary adjustment which were incurred this year.

[17] Typhoon Hegupit, which hit Guangdong Province on 24 September 2008, was the strongest typhoon to hit Guangdong in 12 years

Operations

- The total volume of Passenger vehicles increased by 8.9%. This was largely due to the positive impact of various exhibitions being held in Guangzhou between April and May, the partial closure of the competing Luoxi Bridge in May this year and the general increase in car ownership in China.
- The total volume of Medium Bus/Truck and Heavy Duty Truck/Trailer type vehicles was 12.5% lower compared to the prior corresponding period due to recently implemented traffic controls which restrict these vehicle types from entering the city between 7 a.m. to 9 a.m. and 7 p.m.to 9 p.m. These restrictions came into effect in late 2007.
- The 16.6% fall in Minibus / Light Truck and the 2.4% rise in Large Bus / Large Truck type vehicles were due to the general trend of factories relocating further away from Guangzhou City. This resulted in more factories using larger trucks to transport goods in order to save costs.

Outlook

- Following local government approval, Phase III[18] construction restarted on 14 April 2008. Opening is anticipated during Q1 2009, and this is expected to significantly increase traffic volume on HNE.

[18] MIIF has an option to acquire Phase III

Miaoli Wind (formerly known as infraVest Wind)

Date of initial acquisition	20 March 2008
Cost of acquisition	S$29.1 million
Valuation[6]	S$26.6 million
MIIF ownership	100% interest
% of MIIF portfolio[6]	1.8%

Miaoli Wind owns and operates 25 wind turbines, with a combined capacity of 49.8MW, at two sites in Miaoli County, Taiwan. All power generated is sold to Taiwan Power Company, the state-owned power utility in Taiwan, under a long term power purchase agreement. The tariff under this agreement is fixed at NT$2 per kWh.

Miaoli Wind benefits from strong government support for renewable energy in Taiwan and the long term power purchase arrangement with Taiwan Power Company underpins the stable cash flows expected to be derived from this investment.

Additional Information

- Financial close of the acquisition of Miaoli Wind by MIIF was successfully achieved on 20 March 2008.
- In August 2008, Miaoli Wind received a reimbursement amount in relation to guarantee and credit support fees paid in respect of a debt facility procured by the company prior to MIIF's acquisition (which was refinanced following acquisition). The amount of S$1.2 million triggered an obligation on MIIF to pay the same amount as additional consideration for the acquisition. This consideration was paid by MIIF in early September 2008, increasing the cost of acquisition from S$27.9 million to S$29.1 million.
- On 30 September 2008, the Ministry of Economic Affairs approved the change of name from infraVest Wind Power Co., Ltd to Miaoli Wind Co., Ltd. This change was effective from 1 October 2008.

Key operational statistics can be found in the table below.

(GWh)	3 months to Sept 2008	3 months to Sept 2007	Variance	9 months to Sept 2008	9 months to Sept 2007	Variance
Total Energy Production	20.5	23.2	(11.6%)	97.4	88.8	9.7%

(NT$'million)	3 months to Sept 2008	3 months to Sept 2007[19]	Variance	9 months to Sept 2008	9 months to Sept 2007[19]	Variance
Revenue	40.9	N/A	N/A	198.7	N/A	N/A
Operating Expenses	(24.5)	N/A	N/A	(62.1)	N/A	N/A
EBITDA	16.4	N/A	N/A	136.6	N/A	N/A
EBITDA Margin	40.1%	N/A		68.7%	N/A	

[19] Financial information is not available prior to MIIF's ownership of the asset

BUSINESS COMMENTARY (3 MONTHS TO SEPTEMBER 2008)

Operations

- Total energy production for the period was 11.6% lower compared to the prior corresponding period due to lower wind performance.
- The EBITDA margin for the period is lower compared to the 9 months to September 2008 as energy production is subject to seasonality, with the autumn and winter months (October to March) forecast to have higher wind speed than the spring and summer months (April to September). As a result, revenue for the period was lower than in previous periods in 2008. Furthermore, once-off transition costs were incurred during the period.

BUSINESS COMMENTARY (9 MONTHS TO SEPTEMBER 2008)

Operations

- Total energy production was 9.7% higher compared to the prior corresponding period due to improved wind performance in 2008 generally.

Outlook

- Anticipate stronger wind performance in the upcoming period, which should drive higher revenue and an improved EBITDA margin.
- Ongoing efforts to maximise operating performance of wind turbines and actively manage key relationships.

Taiwan Broadband Communications (TBC)

Date of initial acquisition	16 July 2007
Cost of acquisition[20]	S$161.8 million
Valuation[6]	S$166.7 million
MIIF ownership	20% interest
% of MIIF portfolio[6]	11.2%

TBC is one of the three leading television operators in Taiwan, which is the fourth largest cable television market by revenue in Asia. Established in 1999, TBC owns five cable television networks located in adjacent service areas in northern and central Taiwan.

TBC's core business is the provision of cable television services and it is the sole licensee and provider of cable television services in its five operating regions. It also offers value-added services such as broadband internet access and premium digital television programming.

TBC is a key provider of integrated entertainment and communications services to more than one million homes reached by its cable network.

Key operational statistics can be found in the tables below.

Ending Subscribers	Sept 2008	Sept 2007	Variance
Basic Cable TV	708,420	682,681	3.8%
Premium Digital[21]	20,783	17,515	18.7%
Penetration rate[22]	2.9%	2.6%	
Broadband	125,862	105,136	19.7%
Penetration rate[22]	17.8%	15.4%	

(NT$'million)	3 months to Sept 2008	3 months to Sept 2007	Variance	9 months to Sept 2008	9 months to Sept 2007	Variance
Revenue	1,611.6	1,551.3	3.9%	4,775.3	4,585.4	4.1%
Operating Expenses	(627.8)	(626.0)	(0.3%)	(1,858.1)	(1,848.6)	(0.5%)
EBITDA	983.8	925.3	6.3%	2,917.2	2,736.8	6.6%
EBITDA Margin	61.0%	59.6%		61.1%	59.7%	

[20] Post a return of capital from TBC of US$68.3 million (S$104.1 million) which was distributed to MIIF as a result of the refinancing of TBC's debt facilities shortly after MIIF's acquisition of its interest in TBC
[21] A new channel package commenced in Jan 2008 and thus not directly comparable
[22] Penetration rate is calculated as a percentage of Basic subscribers

BUSINESS COMMENTARY (3 MONTHS TO SEPTEMBER 2008)

Financial Performance

- EBITDA was 6.3% higher compared to the prior corresponding period due to higher revenues. TBC generated revenues of NT$1,611.6 million compared with NT$1,551.3 million in the prior corresponding period. This NT$60.3 million increase was primarily due to an overall increase in basic cable television and broadband subscribers and effective cost control.
- The overall EBITDA margin also improved by 1.4% to 61.0% as a result of promoting high-end broadband products and bundled packages to customers.

BUSINESS COMMENTARY (9 MONTHS TO SEPTEMBER 2008)

Financial Performance

- EBITDA was 6.6% higher compared to the prior corresponding period, driven by higher subscriber growth rates and effective cost control initiatives.

Operations

- In early 2008, TBC commenced offering a market-leading 16 Mbps broadband internet service. By the end of September 2008, broadband subscribers increased by 19.7% compared to the prior corresponding period due to successful marketing initiatives.
- TBC has focused on several initiatives to position the business for growth in value added services including:
  - Extending network coverage to reach new growth areas.
  - Increasing sales penetration efforts in new homes.
  - Providing new offerings to customers coming out of contracts to retain customer loyalty.
  - Selling broadband services to CATV customers through product bundling.
  - Developing enhanced digital product packages.

Outlook

- Management remains committed to increasing the penetration of value added services of broadband and premium digital television, through enhanced product offerings and superior customer service, whilst continuing to deliver solid growth of its cable television business.

Macquarie European Infrastructure Fund (MEIF)

Date of initial acquisition	14 July 2005
Cost of acquisition	S$194.8 million
Valuation[6]	S$312.9 million
MIIF ownership	6.3% interest
% of MIIF portfolio[6]	21.1%

MEIF is a limited partnership that was established to make equity and equity-related investments in a diversified portfolio of infrastructure businesses located in developed European OECD countries. MEIF aims to deliver moderate capital growth and sustainable cash yields over the long term.

MEIF completed its final close in June 2005, with total investor commitments of €1.5 billion.

KEY HIGHLIGHTS FOR THE PERIOD

- Following the change in political sentiment in the Netherlands away from allowing privatisation of utility networks, MEIF and the Municipality of Eindhoven agreed to unwind MEIF's interest in the Obragas gas distribution network. MEIF invested €53.3 million in Obragas in June 2007, and received disposal proceeds of €60.6 million in September 2008.
- Arlanda Express is in discussions with its regulator to extend the rail line and encourage a further four million passengers per annum to use the service in order to reduce the carbon emissions associated with the operation of Stockholm Airport.
- Thames Water submitted its draft Strategic Business Plan to the UK water regulator as part of the process of determining the price controls for the period from 2010 to 2015. It puts a strong case for over £6 billion of capital investment over the period, and keeps customer billings to what are expected to be the fourth-lowest in the industry.

OUTLOOK

MEIF distributed €65 million to its investors on 24 April 2008. MEIF is anticipated to make its next distribution to investors in the quarter to 31 December 2008, which will be supported by distributions received by MEIF from its portfolio companies.

COMPETITIVE INDUSTRY CONDITIONS

Infrastructure as a sector has grown rapidly. An estimated 2% of global GDP, or around US$800bn, is spent on infrastructure investment and maintenance annually. Morgan Stanley estimates a total of US$21.7 trillion in infrastructure spending in emerging markets over the next decade, with Asia representing 67% of this total.[23]

MIIF is the leading Asia focused listed infrastructure fund managed by Macquarie Infrastructure Management (Asia) Pty Limited (MIMAL), part of Macquarie Capital Funds which, through special purpose management companies, has approximately A$50 billion (S$61 billion) of equity under management as at 30 June 2008

MIIF's strategy is to achieve growth through long-term, direct infrastructure investments that deliver attractive and sustainable levels of returns. MIIF currently has 42.9%[6] of its portfolio located in Asia. Going forward, MIIF aims to only make quality, Asian-focused and value-accretive acquisitions.

The attractiveness of Asia as an investment destination for infrastructure is driven by the following factors:

- Demographic change

Rising populations and demographic change put pressure on existing infrastructure and create demand for increased investment. According to World Bank estimates, the urban population in East Asia and the Pacific region is projected to increase by 500m over the next 20 years.

This growth will place tremendous pressure on existing urban infrastructure, especially on basic services such as electricity generation, telecoms, water and sanitation. The World Bank estimates that infrastructure investment of close to US$180bn a year will be required for the East Asia and the Pacific region alone.

- Economic Growth

Sustainable economic growth over the long term requires investment in new infrastructure and maintenance of existing infrastructure businesses.

Strong economic growth, measured by increasing GDP and increasing wealth among consumers, is likely to spur infrastructure investment, particularly in developing countries. Higher incomes bring increased demand for a better quality of life, enhanced environmental and government services, and the extension of municipal services to communities.

According to the International Monetary Fund, developing Asian markets are expected to grow by a compounded annual rate of 14.2% from 2003 to 2013. GDP growth will drive demand for infrastructure investment and sustainable growth can only be achieved through continued investment.

[23] "Emerging Markets Infrastructure: Just Getting Started", Morgan Stanley, April 2008

- Infrastructure Investments

The Asian Development Bank[24] estimates that in East Asia alone, the expected infrastructure service needs will be US$165bn annually from 2006 through 2010. This is approximately 6.2% of the region's annual GDP. These estimates take into account both new investments and maintenance of existing businesses. To meet these needs, it is estimated that 65% of the expenditure would have to be new investment.

Governments, often faced with growing deficits and other demands on spending, are struggling to keep up with the growing demand for infrastructure investment. While demand continues to rise, government spending on infrastructure has declined, creating a widening investment gap.

According to World Bank estimates, developing countries must spend an estimated 7% of GDP annually, in order to service infrastructure requirements for both new investment and operations and maintenance of existing infrastructure. Since developing countries today spend an average of 3-4% of GDP on infrastructure annually, they face a substantial investment gap.

The widening investment gap has opened the door for private involvement in infrastructure provision. Governments are increasingly allowing private capital to flow into sectors which were traditionally under the complete purview of the government.

Private investment in infrastructure has taken three routes of full private provision, public-private partnership and private finance initiative schemes. According to the World Bank, private investors contributed US$580bn in more than 1,900 infrastructure projects in developing countries from 1990 to 1999.

[24]ADB-JBIC-World Bank (2005), Connecting East Asia: A New Framework for Infrastructure, ADB, JBIC and World Bank Publication, Manila

CONFIRMATION OF THE BOARD PURSUANT TO RULE 705(4) OF THE LISTING MANUAL

On behalf of the Board of Directors of Macquarie International Infrastructure Fund Limited, we, the undersigned hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the quarter ended 30 September 2008 to be false or misleading.

On behalf of the Board of Directors

John Stuart Hugh Roberts
Chairman
Sydney
12 November 2008

Heng Chiang Meng
Deputy Chairman
Singapore
12 November 2008