Regulatory Impacts on the Infrastructure Sector

Bonn, September 2008

Infrastructure as defined by Macquarie

'Good' infrastructure is characterised by sustainable and predictable cash flows with growth potential

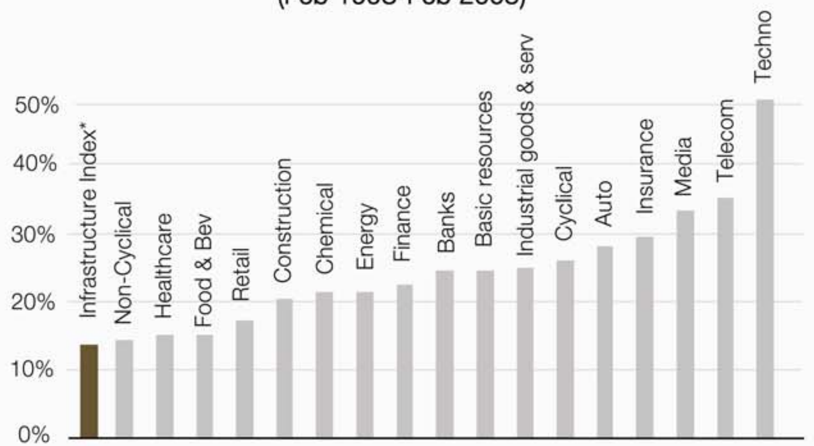
Essential services	High barriers to entry	Predictable cashflows	High growth
▪ Daily usage, high volume ▪ Large customer base – households, businesses, passengers, drivers ▪ Low risk of technological obsolescence ▪ Community focus	▪ Long life, high value physical assets ▪ Significant capital requirements for competitor development ▪ Long term contracts/concessions ▪ Often a natural monopoly ▪ Planning and approval	▪ Concession arrangements ▪ Long term contracts ▪ Captive market ▪ Pricing power, inelastic demand ▪ Generally low on-going capital expenditure ▪ Low operating costs ▪ Prices and revenues often set by regulation ▪ Operating track record and history	▪ Long term growth correlated with GDP ▪ Inflation linked

Characteristics of Infrastructure

Sustainable cash flows with potential for capital growth

Strong cash generation	Revenues linked to inflation	Adverse interest rate movements mitigated	Relatively low ongoing capital expenditure	Low correlation to other asset classes	Decreasing risk profile over time

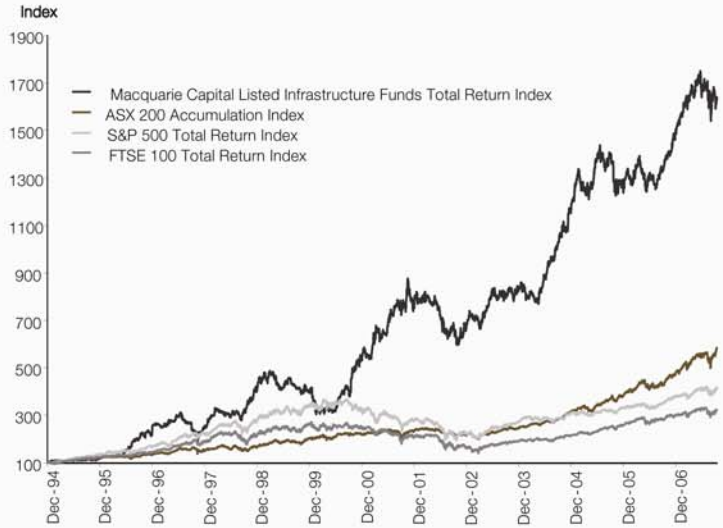
Annualised Standard Deviation of Returns (Feb 1998-Feb 2003)



* Macquarie constructed an Infrastructure Index by analysing the FTSE Eurotop 300 Index for companies with the greatest weighting, by Enterprise Value, to infrastructure. The Index is based on all those companies with an estimated infrastructure exposure of >50%, leaving 11 companies.

Source: Dow Jones STOXX website; indices are based on total return data

Macquarie Capital Listed Funds Accumulation Index v Major Indices



* As at 30 September 2007. Accumulation/Total Return Index assumes reinvestment of all distributions on the ex-distribution date and no further participation in subsequent capital raisings. Past performance is not an indication of future performance.

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Characteristics of Infrastructure (cont.)

Infrastructure assets have demonstrable investment advantages to investors

Predictable cashflows	▪ Low volatility of returns ▪ Provides strong yield generation
Long duration of asset life	▪ Average life of assets in IBF-managed funds of 63 years ▪ Strong match with pension fund and insurance company liabilities
Inflation linked protection	▪ Provides a natural hedge against inflation or long term interest rates
Low correlation to other asset classes	▪ Less affected by economic cycle ▪ Low correlation to equity market volatility
Predictable risk evolution	▪ Creates capital appreciation potential
Refinancing opportunities	▪ Refinancing generates shareholder benefits

Typical Infrastructure Assets



Basic infrastructure	Transport & logistics	Social infrastructure
Water & wastewater	Energy & utilities	Communication infrastructure



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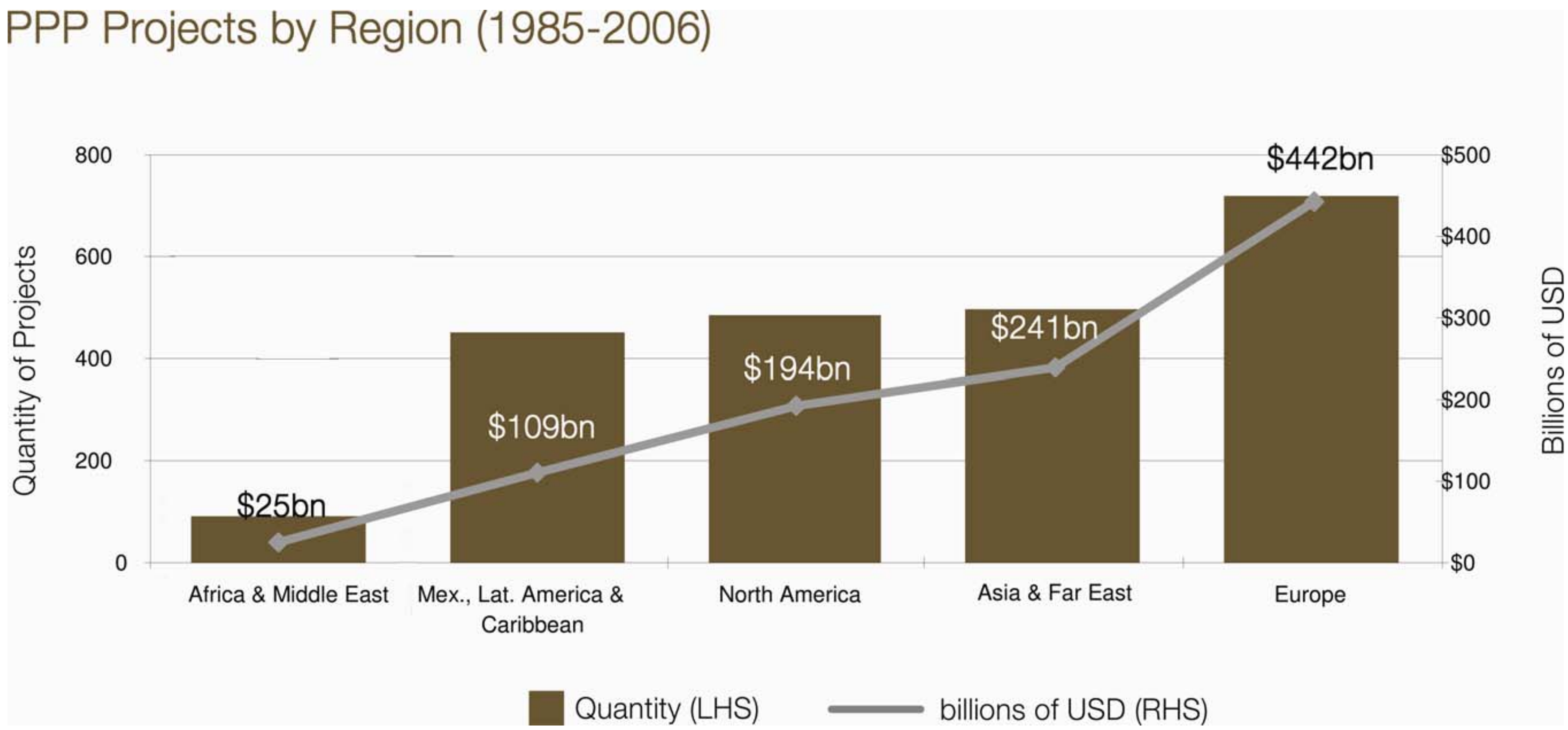
Typical Infrastructure Assets (cont.)

Expanding the definition of infrastructure

Throughput	Utilities	Social	Infrastructure-like
▪ Roads, tunnels & bridges	▪ Electricity & gas	▪ Industrial cities	▪ Car parks
▪ Airports	▪ Water & sewerage	▪ Hospitals & aged care	▪ Telecommunication systems
▪ Rail links	▪ District cooling	▪ Courthouses	
▪ Communications			

Investments in the Public Sector

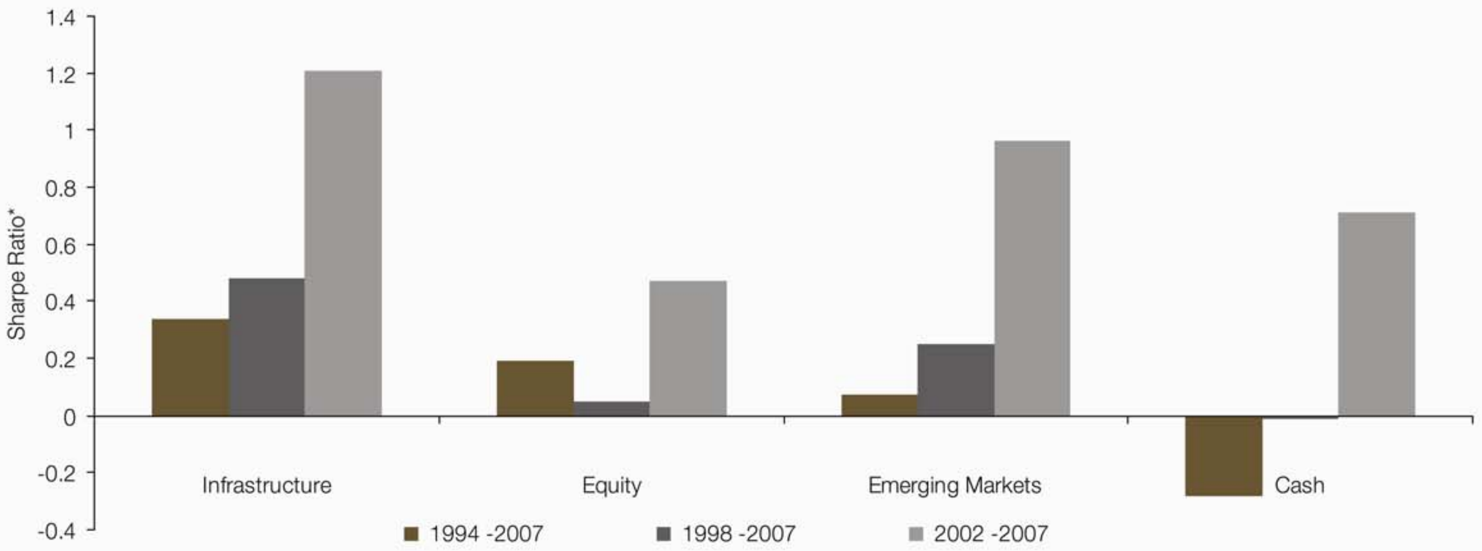


Return Requirements

- Investors require a risk adjusted return on their equity investment
- High single digit yearly distributions (8 - 9 % p.a.)
- Total return of double digit (IRR of 10 – 12 % p.a.)

Return Requirements (cont.)

Risk-adjusted returns on various asset classes for different time periods



Infrastructure	Macquarie Global Infrastructure Index (MGII) and A composite index created from select FTSE indices
Equities	FTSE All-World Developed Index
Emerging Markets	FTSE All-World Emerging Index
Cash	JPM Global Cash (USD)

Source: Evalueserve Analysis, April 2007. Sharpe ratio gives the risk premium earned above risk free rate, per unit of risk taken. Long term bond returns are taken as a measure of the risk-free rate. A higher Sharpe ratio indicates a higher return has been generated for a given level of risk.

Sources of Funding
Typical Investors

Infrastructure projects are typically funded by

- Equity from private investors (approx. between 25 – 45 %) and
- Bank debt (55 – 75 %)

Typical investors are

- Pension Funds
- Insurance Companies
    - Foundations
    - Family Offices
- High Net Worth Individuals

Areas of Regulatory Impacts

Areas of regulatory impacts can be found as follows:

- Legal framework (concession, lease)
- Scope of services to be provided
- Return of asset with or without adequate compensation
- Competition, access rights
- Quality standards
- Price determination

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Impact on Investors

Pros

- Securing of strategic market position
- Limited competition
- Reduced market price risk
- Enabling of long term predictable income
- Inflation linked income

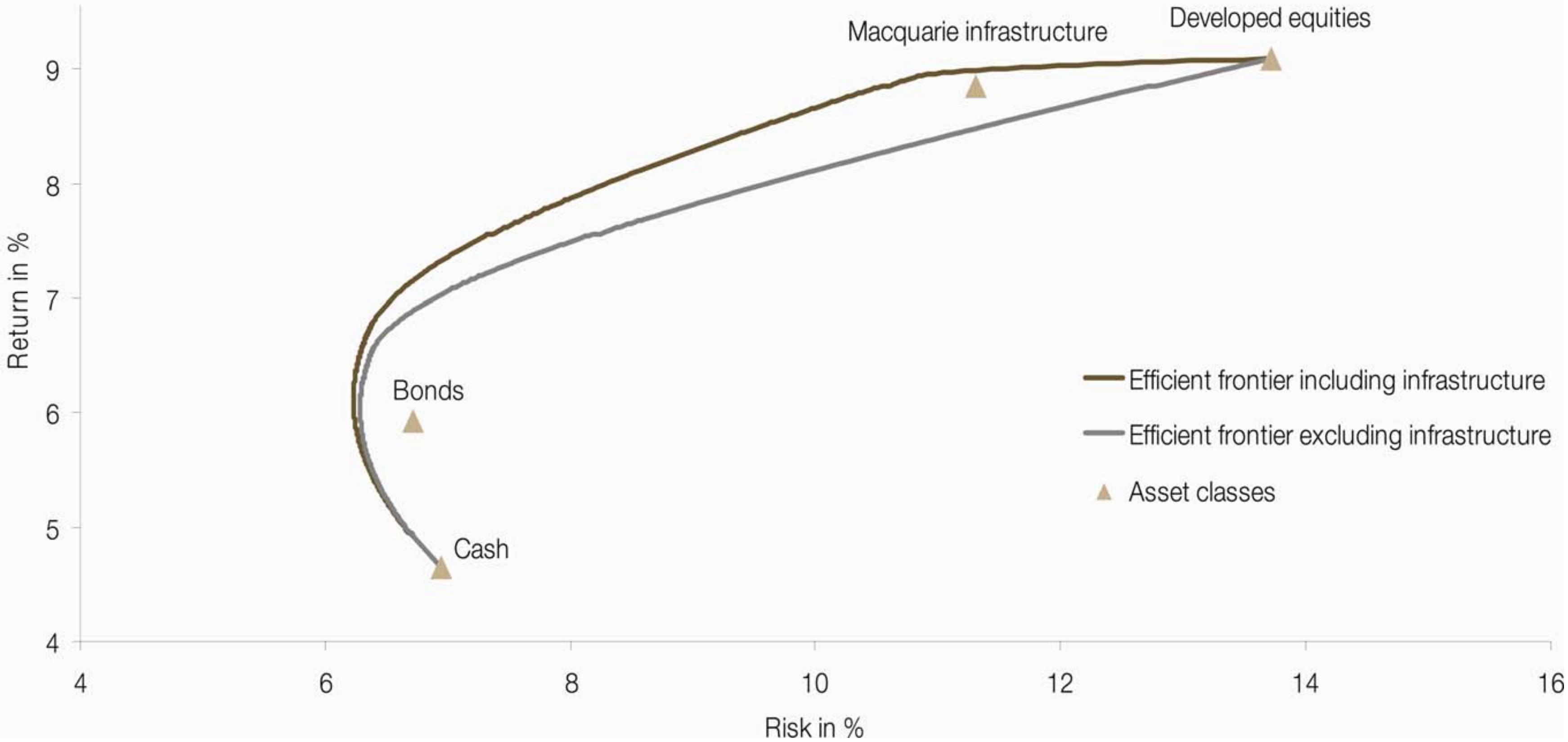
Cons

- Limitation on business opportunities
- Exposed to changing market conditions
- Long term commitment
- Exposure to political climate

Portfolio Efficiency

In a global cash, bonds and equities portfolio, infrastructure substantially lifts portfolio efficiency

Asset class risk and return over past 12 years



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