

Macquarie Infrastructure and Real Assets (MIRA)



# Macquarie Korea Infrastructure Fund

## Investor Presentation

1Q 2021



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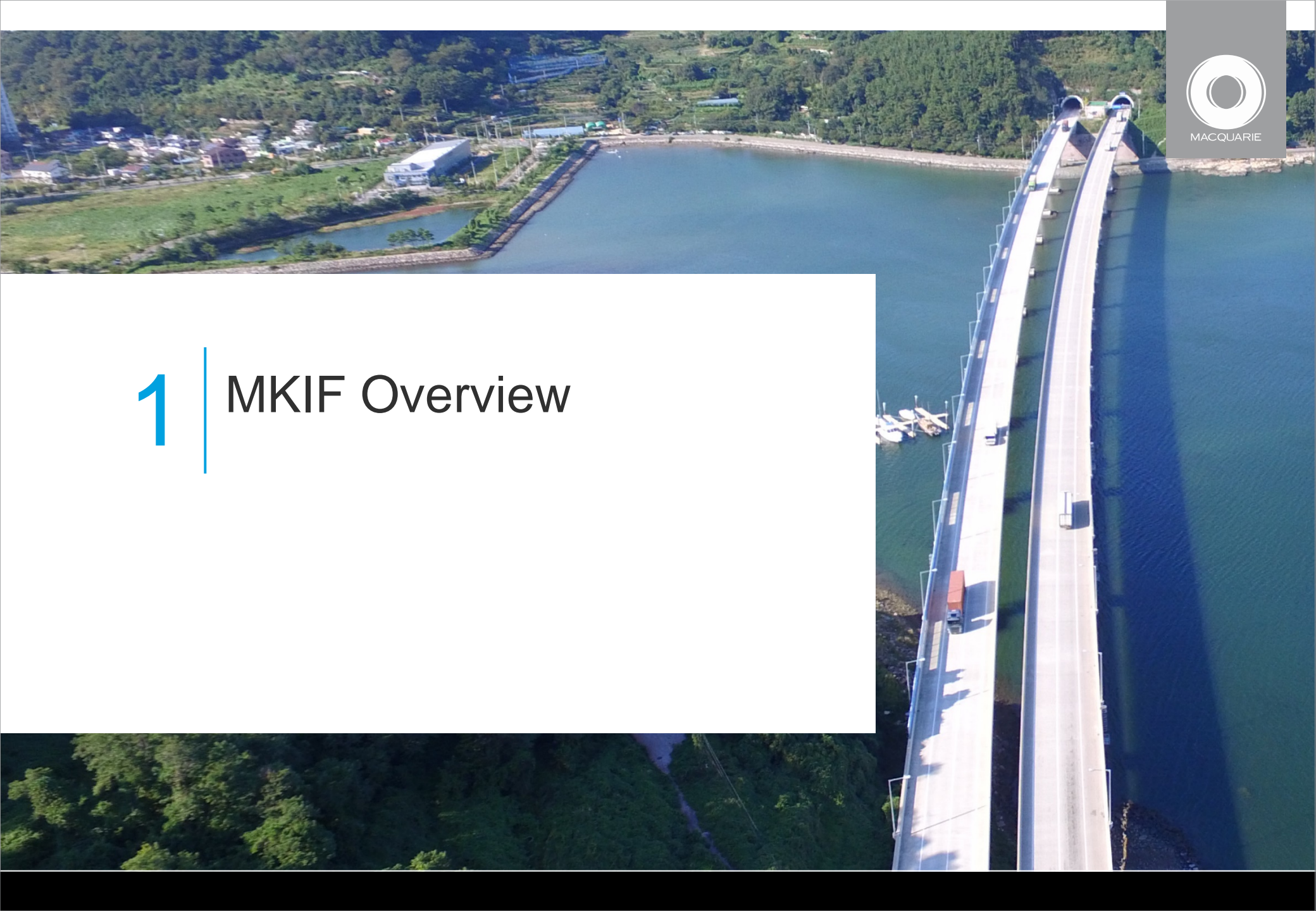


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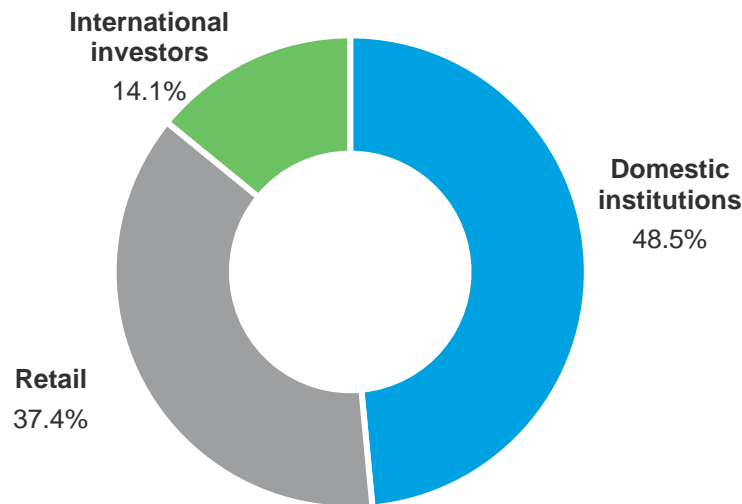
# 1 | MKIF Overview



# A Leading Infrastructure Fund in Korea

- Established in 2002 / Listed on the Korea Exchange in 2006
- Market capitalization of KRW ~4.5 trillion<sup>1</sup>
- Invests only in Korea as defined under the Korean PPP Act<sup>2</sup>
- Delivered approximately ~6.8% distribution yield<sup>3</sup> in 2020
- Issuer credit rating of AA0 (Stable)<sup>4</sup>

## Key Shareholder Groups<sup>5</sup>



1. As at 30 Apr 2021

2. Act on Public Private Partnerships in Infrastructure ("PPP Act") states infrastructure sectors including roads, railways, ports, water treatment, waste management, etc.

3. Distribution yield based on FY2020 closing share price of KRW 10,650 and FY2020 distributions; historical performance does not guarantee future performance

4. Issuer credit rating by NICE Investor Service on 2 Apr 2021

5. As at 31 Dec 2020



# Fund History

Establishment / Listing <b>2002 / 2006</b>	Mandate <b>Core and Core+</b> (Korea only)	Portfolio <b>12 Roads, 1 Port, 1 Rail</b> (all concessions)	Market Capitalisation <b>KRW ~4.5 trillion</b> (KOSPI top 71)
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## MKIF History<sup>1</sup>

*Pioneered the infrastructure sector in Korea, leading the market with best fund and asset management practices*

### 2002 ~ 2006

#### Establishment & Capital Raising

- Established in Dec 2002
- Investment committed in 15 assets
  - 14 toll roads
  - 1 subway line
- Capital reached KRW 1.3tn

### 2006 ~ 2009

#### IPO & Asset Stabilization

- IPO in Mar 2006 (KRW 1.0tn)<sup>2</sup>
- Listing on KRX and LSE<sup>2</sup>
- 5 greenfield assets commenced operation on time & on budget
- Asset performance stabilized

### 2007 ~

#### Active Fund and Asset Management

##### Fund-level

- 8 investments<sup>3</sup> / 4 divestments<sup>4</sup>
- 9 fund-level debt refinancing<sup>5</sup>
- Effective IR: improved market awareness & active share trading

##### Asset-level

- 16 asset-level restructuring<sup>6</sup>
- 14 asset-level dispute resolutions<sup>7</sup>
- Actively engaged with current issues

### 2017 ~

#### Share Offering & New Growth

- Mandate expansion
- Seeking diverse investment opportunities
- 1st follow-on offering in 2017 (KRW 147.2 billion)
- 2nd follow-on offering in 2020 (KRW 244.2 billion)

1. Please refer to page 7 for asset acronyms

2. KRW 0.6tn = issuance of new shares, KRW 0.4tn = sale of old shares / MKIF delisted from LSE in Mar 2016

3. BNP 2-3 initial investment (2008); MCB bolt-on (2008); BNP 2-3 bolt-on (2013); YSE bolt-on (2015); IBC bolt-on (2017); SCH bolt-on (2018); DBR (2019); B2RR (2020)

4. New Daegu Busan Expressway (2008); Seosuwon-Osan Pyungtaek Expressway (2010); Daegu 4th Beltway East (2012); Subway Line 9 (2013)

5. MKIF debt refinancing disclosed in May 2007; Apr 2009; Nov 2009; May 2011; Jun 2011; Feb 2014; May 2016; Jun 2018; Jan 2019

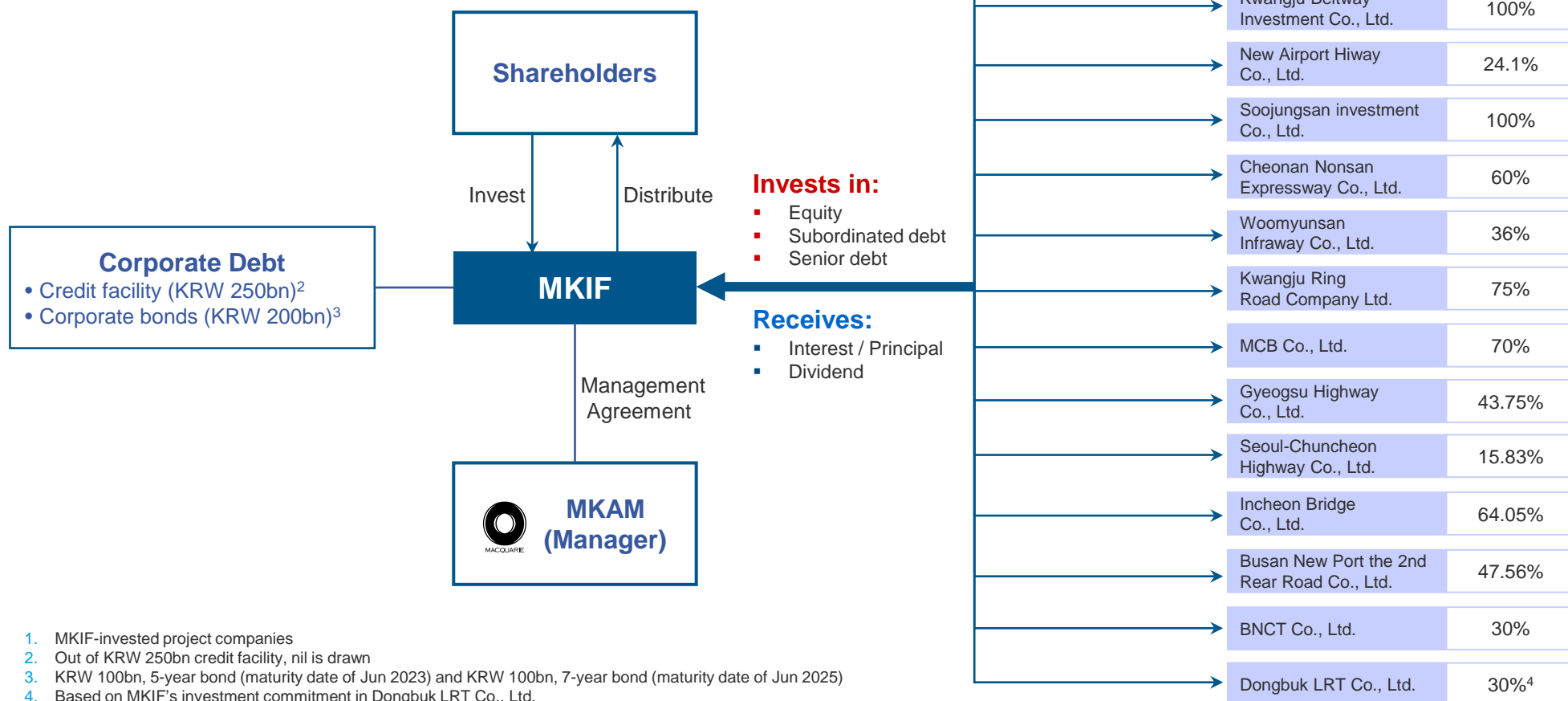
6. Asset-level refinancing disclosed in Feb 2007 (Daegu 4th Beltway East); Jan 2008 (BYTL); Dec 2008 (WIC); Mar 2009 (IBC); May 2009 (CNEC); Nov 2010 (MCB); Aug 2015 (NAHC); Oct 2015 (YSE); Jan 2016 (WIC); Dec 2016 (KBICL); Jan 2017 (MCB); Aug 2017 (IBC); Jun 2018 (SCH); Apr 2019 (BNP 2-3); Dec 2019 (CNEC); Dec 2020 (SCH)

7. Disputes resolved in Oct 2013 (BNP 2-3); Apr 2015 (MCB); Aug 2015 (KBICL); Dec 2016 (KBICL); Jan 2019 (SICL & BYTL); Mar 2019 (SICL); 2018-2019 (5 tax litigations involving SICL, WIC, KBICL, NAHC, CNEC), May 2020 (BYTL), Jun 2020 (IBC)

# Business Structure

(As at 31 March 2021)

- MKIF is a holding company of 14 infrastructure project companies
- Active management of the underlying project companies<sup>1</sup>
- Fund is managed by Macquarie Korea Asset Management Co., Ltd. ("MKAM")
- MKIF corporate tax exempted when 90% or more of its distributable earnings is distributed



1. MKIF-invested project companies  
 2. Out of KRW 250bn credit facility, nil is drawn  
 3. KRW 100bn, 5-year bond (maturity date of Jun 2023) and KRW 100bn, 7-year bond (maturity date of Jun 2025)  
 4. Based on MKIF's investment commitment in Dongbuk LRT Co., Ltd.

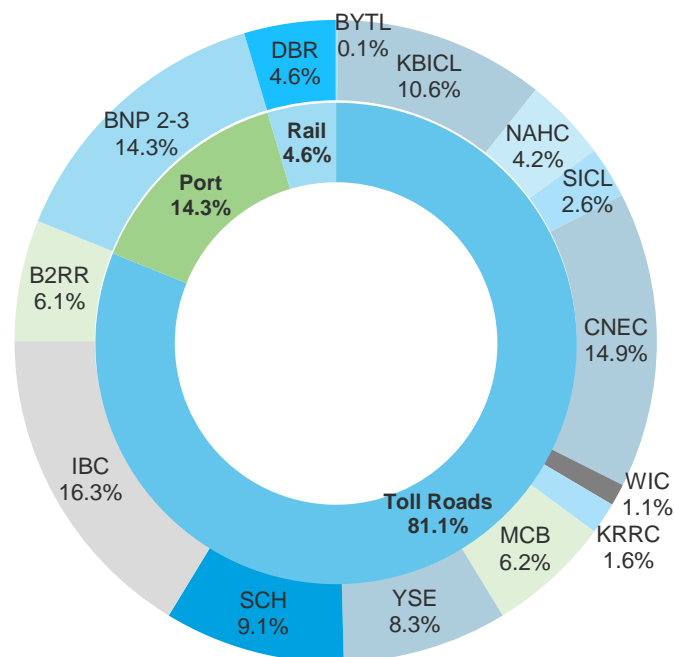
# Portfolio Summary<sup>1</sup>



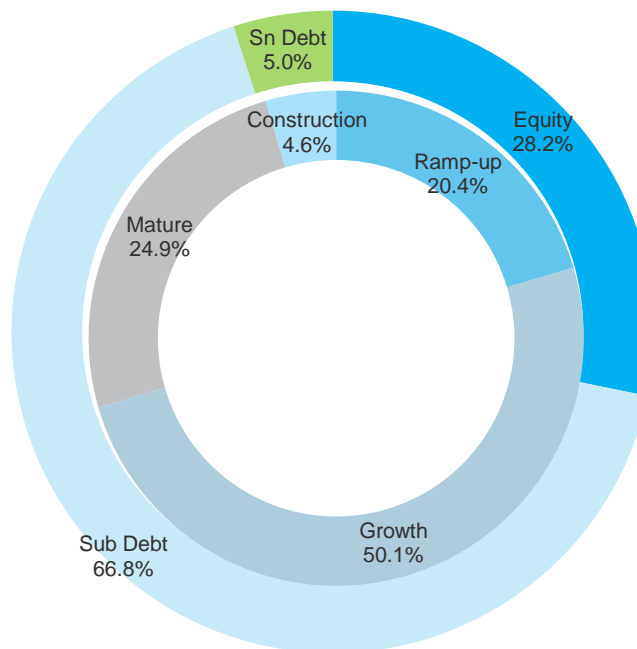
(As at 31 March 2021)

- KRW 1.8 trillion invested across 14 infrastructure assets in Korea
- Weighted average remaining life of the portfolio is 16.5 years (out of weighted average concession term of 29.4 years)
- Ratio of central and local government involvement is 73:27

## Portfolio Composition by Asset<sup>1</sup>



## Portfolio Composition by Investment<sup>1</sup> and Phase<sup>1,2</sup>



Asset names	Abbrev.
Baekyang Tunnel	BYTL
Gwangju Second Beltway, Section 1	KBICL
Incheon International Airport Expressway	NAHC
Soojungsan Tunnel	SICL
Cheonan-Nonsan Expressway	CNEC
Woomyunsan Tunnel	WIC
Gwangju Second Beltway, Section 3-1	KRRC
Machang Bridge	MCB
Yongin-Seoul Expressway	YSE
Seoul-Chuncheon Highway	SCH
Incheon Grand Bridge	IBC
BNP the 2nd Rear Road	B2RR
Busan New Port Phase 2-3	BNP 2-3
Dongbuk Light Rail Transit	DBR

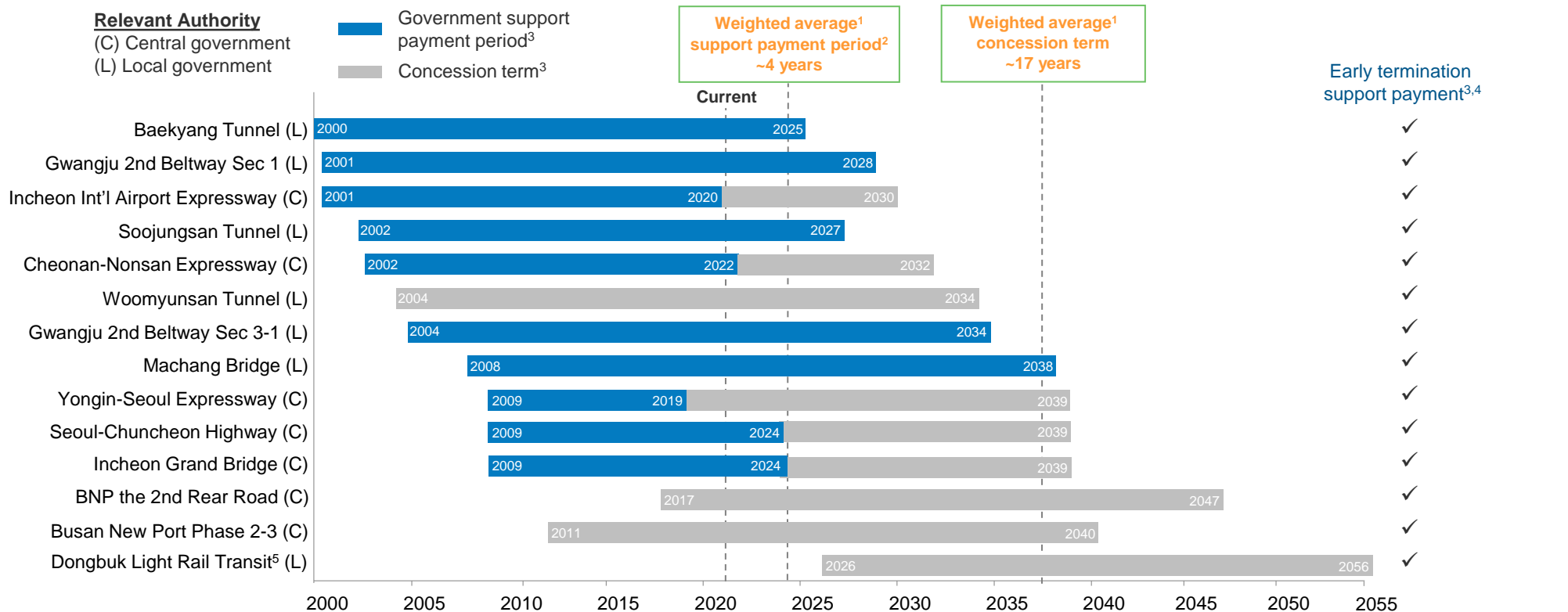
1. Based on MKIF investment amount plus investment commitment of KRW 82.7bn in Dongbuk LRT Co., Ltd. (KRW 15.0bn has been deployed)
2. Ramp-up (operating life ≤ 10 years or FY2019 average daily traffic volume growth rate ≥ FY2019 CPI growth rate+7%): BNP 2-3, B2RR  
 Growth (FY2019 average daily traffic volume growth rate ≥ FY2019 CPI growth rate+3%, exclusive of the ramp-up assets): NAHC, KBICL, KRRC, YSE, SCH, IBC  
 Mature (FY2019 average daily traffic volume growth rate < FY2019 CPI growth rate+3%): BYTL, WIC, CNE, SICL, MCB  
 Construction: DBR  
 (Portfolio phase based on FY2019 figures due to the one-off impact the COVID-19 outbreak had on FY2020 traffic volume  
 CPI=consumer price index of Korea as published on [www.index.go.kr](http://www.index.go.kr); 2019 CPI growth rate=0.4%)



# Concession Term and Government Support Period

(As at 31 March 2021)

- Weighted average<sup>1</sup> remaining life of ~17 years under the concession agreements
- 10 toll road companies are entitled to receive government support payments<sup>2</sup> from their respective authorities for next ~4 years on average
- All underlying project companies are protected under the early termination support payment provision



1. Based on MKIF investment amount plus investment commitment of KRW 82.7bn in Dongbuk LRT Co., Ltd. (KRW 15.0bn has been deployed)
2. Revenue guarantee and cost compensation payments received from relevant authorities, toll freeze compensations related to the CPI growth, etc. Weighted average support payment period is based on the periods of government support payments other than toll freeze compensation, as toll freeze compensation is typically covered throughout entire concession term
3. Government support and early termination payment provisions vary for each concession
4. Project companies have the right to receive payments if the relevant concession agreement is terminated prior to expiration of the concession term, including termination due to events attributable to the concession company, the relevant authority, or for events of force majeure
5. Construction period of 5 years (1H 2021~1H 2026) expected, followed by a 30-year operation period

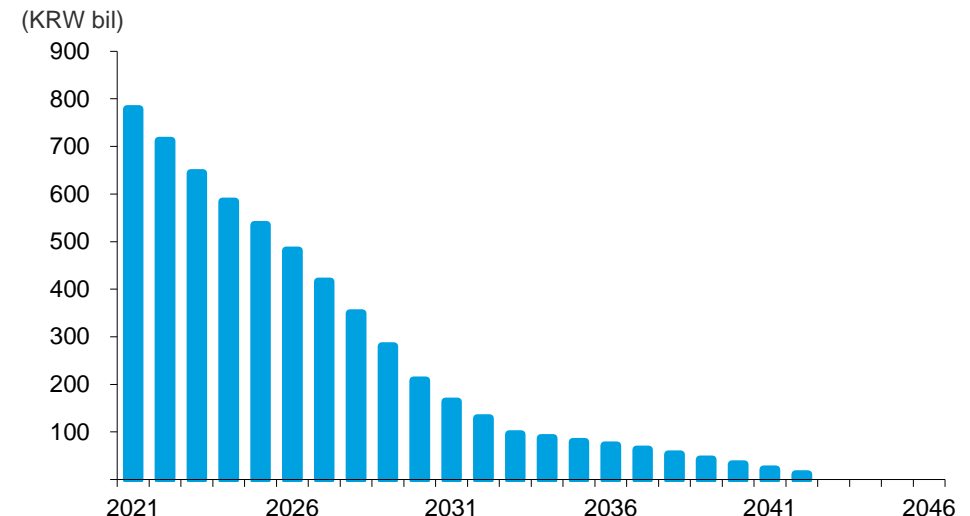
# Financial Position

(As at 31 March 2021)

- MKIF debt capped at 30% of its capital under PPP Act<sup>1</sup>, with the current outstanding debt at KRW 250 billion out of KRW 450 billion limit under the existing loan agreements
  - Nil is drawn from KRW 250 billion of credit facility limit
  - KRW 200 billion fixed-rate bonds (KRW 100 billion, 5-year bond maturing in June 2023 & KRW 100 billion, 7-year bond maturing in June 2025)
- Weighted average interest rate of MKIF debt is 3.09%, and remaining average maturity is 3.0 years
- Project company-level debt is expected to decline as senior debts are redeemed, and average remaining maturity<sup>2</sup> of external debt<sup>3</sup> is 7.4 years

CASH <sup>4</sup>	KRW 317.3bn
EXTERNAL DEBT AVERAGE MATURITY <sup>3</sup>	7.4 years
GEARING <sup>5</sup>	18.0%

Project Company-level External Debt Balance<sup>6</sup>

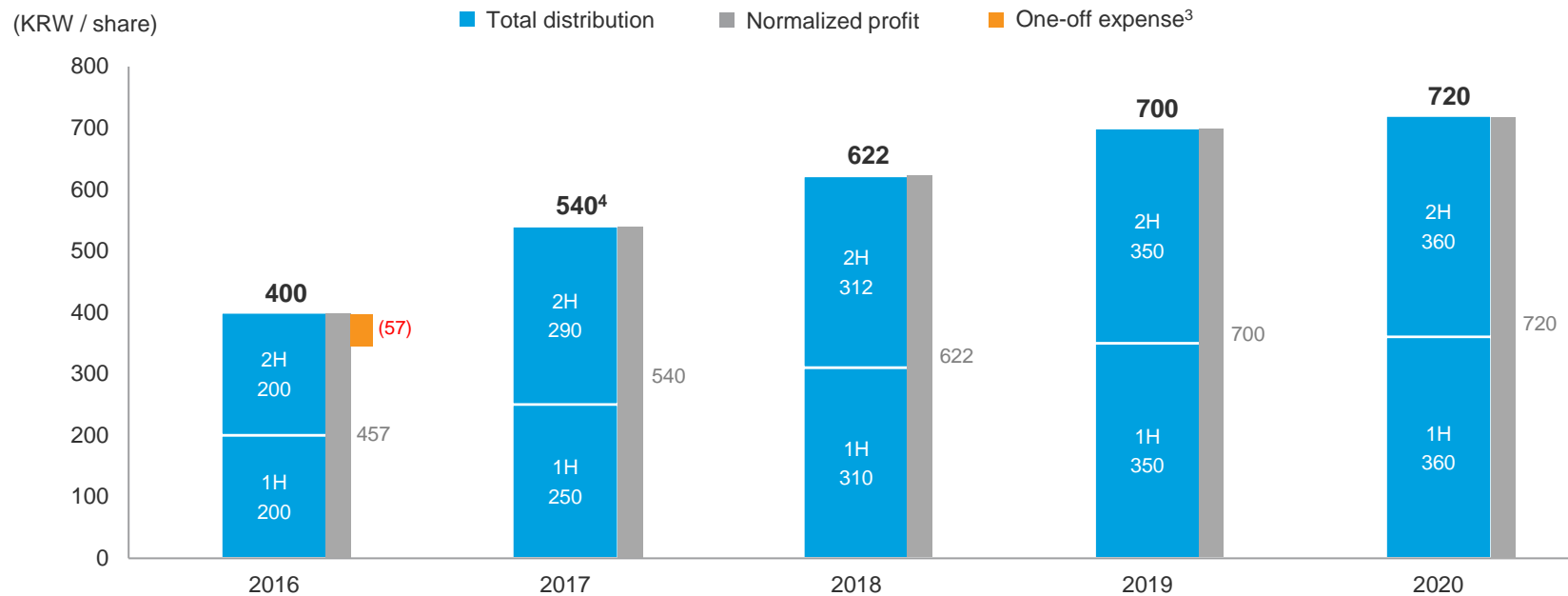


1. Current MKIF debt ceiling under PPP Act is KRW 617.3bn (30% of current MKIF paid-in-capital of KRW 2,057.5bn)
2. Average remaining maturity of external debt of the underlying project companies based on MKIF equity ownership
3. External debt of the underlying project companies is defined as the total drawn debt of the underlying project companies minus: (i) borrowing from MKIF; (ii) borrowing from third parties with the same and/or subordinated term as MKIF's; (iii) borrowing of which default risk and redemption obligation have been transferred to the relevant authority as a result of restructuring
4. Proportionately consolidated MKIF cash and cash equivalents (inclusive of MKIF cash and cash equivalents of KRW 65.7bn)
5. Proportionately consolidated MKIF net debt / (proportionately consolidated MKIF net debt + average MKIF market capitalization for the previous 3 months)
6. Outstanding external debt balance of the underlying project companies based on respective MKIF equity ownership, assuming absence of additional restructuring or new investment

# Distribution

- Distribution is paid semi-annually (record dates are 30 June and 31 December)
- Distribution floor is higher of taxable income or 100% of distributable accounting income to maintain tax exempt status
- 2020 second half distribution of KRW 360 per share<sup>1</sup> (total amount of KRW 134.0 billion) was paid on 26 February 2021

## Distribution History<sup>2</sup>

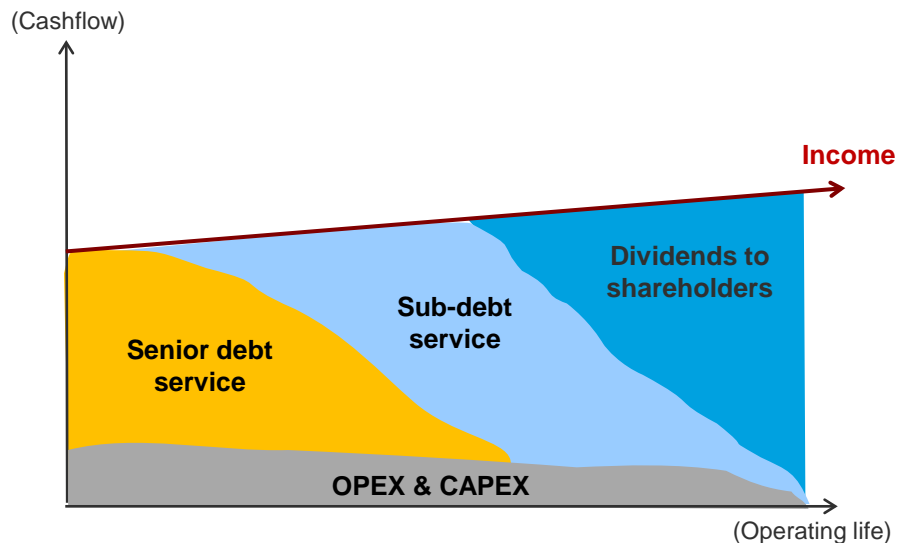


1. Distribution amount is treated as dividend income and is tax payable under the relevant Korean law. Investors are advised to consult their own tax advisors for the appropriate tax treatment of the distribution
2. Past result does not guarantee future performance
3. Includes over-distribution amount
4. FY2017 and FY2020 aggregated distribution per share are lower than the respective earnings per share due to the dilution effect from the issuance of new shares

# Investment Highlights

- MKIF targets to deliver long-term cash flow & income to investors via new acquisitions, active asset management and prudent capital management
  - Additional growth potential through (i) new investments and (ii) bolt-on investments in the invested project companies
  - Enhancement in / protection of investment return by managing various activities of the project companies, including operation, restructuring and disputes
  - Some project companies generate relatively stable and predictable income based on inflation-linked government support payments
  - Continuous monitoring of the capital structure of MKIF and the financial positions of the project companies

## Conceptual Cash Flow<sup>1</sup> of Infrastructure Project Companies



## MKIF Strategy & Objective

**Deliver long-term cash flow & income to investors**

**Additional growth potential**

**+**

**Enhance / protect investment return**

### **New & bolt-in investments**

Seeking investment opportunities using the expertise and network of Macquarie as the global infrastructure manager

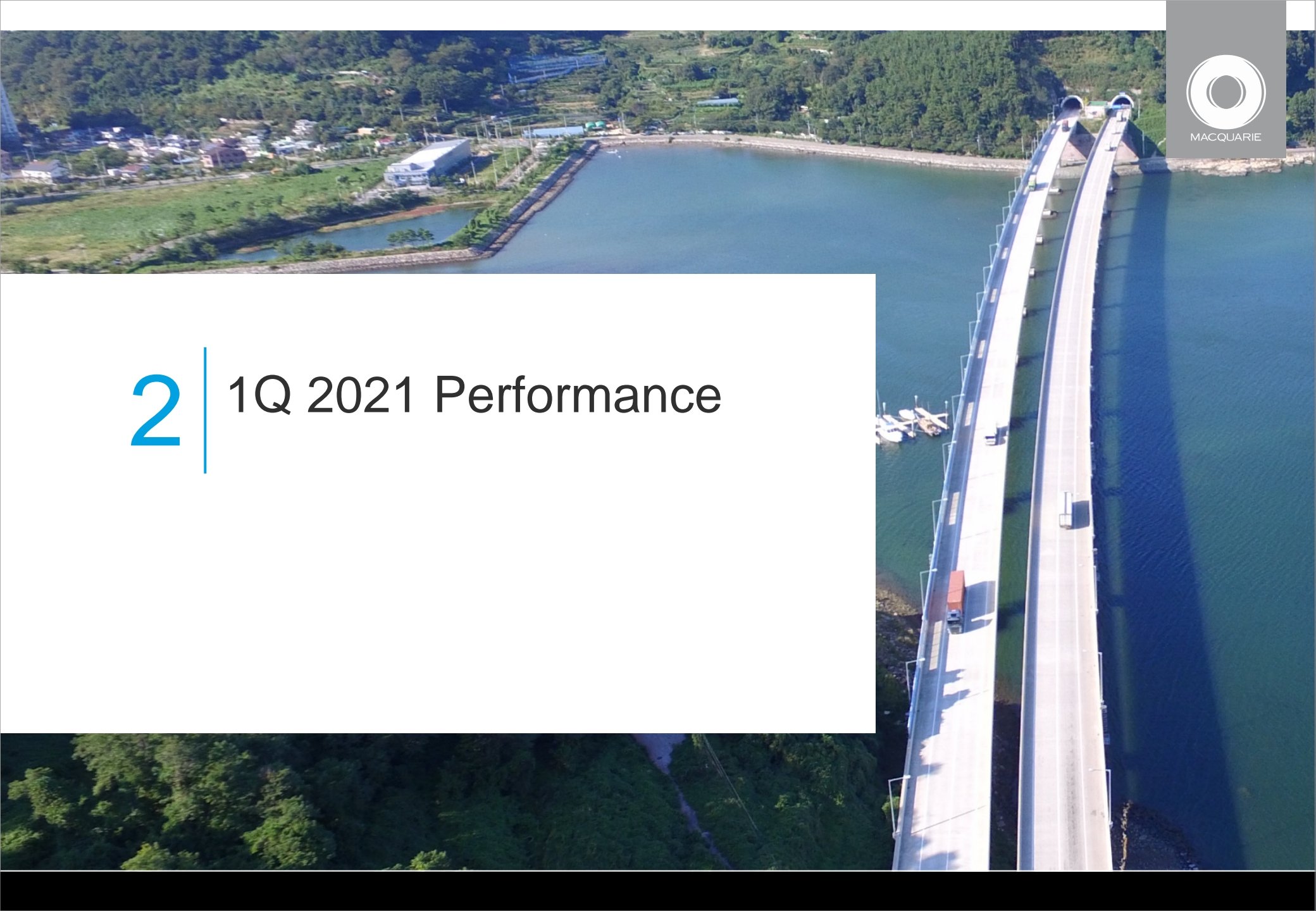
### **Asset management & fund capital management**

Active asset management & prudent capital management based on extensive experience in managing infrastructure assets

1. Conceptual cash flow chart of an infrastructure project company with long-term project financing and does not necessarily represent actual cash flow of MKIF's invested project companies. The chart assumes that such project company (i) does not undergo additional restructuring and (ii) is able to generate its targeted income. Cash flow may be negatively affected if such project company is not able to generate its targeted income due to internal / external factors



# 2 | 1Q 2021 Performance



# Key Performance



- **MKIF revenue and net income (P14)**

- MKIF recorded revenue of KRW 164.2 billion and net income of KRW 153.3 billion for 1Q 2021 (the “Quarter”), increases of 16.6% and 17.8% respectively compared with the previous corresponding period (“pcp”).
- Revenue increased due to higher interest income and dividend income<sup>1</sup>, and net income increased due to higher revenue.

- **Performance of toll roads (P17)**

- On a weighted average basis, 12 toll road assets delivered traffic volume and revenue declines of 3.4% and 2.6% for the Period over pcp. The declines were caused mostly by the lower traffic volume for the two toll road assets linked to the Incheon International Airport (Incheon International Airport Expressway and Incheon Grand Bridge), which were negatively affected by the decline in the number of airport users following the COVID-19 outbreak.
- Traffic revenue declined less than volume as the Korean government (the “Government”) granted exemption of the toll payment for certain assets during the Korean Lunar New Year holiday season in 1Q 2020, while the Government did not grant such toll exemption in 1Q 2021. The assets which toll exemption was granted in 1Q 2020 received full compensation for the revenue loss from the Government.

- **Performance of Busan New Port Phase 2-3 (P18)**

- BNP 2-3 handled 0.55 million TEUs during the Quarter, an increase of 8.9% over pcp. Revenue and EBITDA improved by 17.3% and 24.3% to KRW 31.8 billion and KRW 14.6 billion, respectively, during the Quarter over pcp.
- Revenue improved due to a rise in volume, a change in volume mix and an increase in tariff, and EBITDA improved due to an increase in revenue and a decrease in operating expenses.

1. 1Q 2021: dividend income of KRW 10.8bn from New Airport Hiway Co., Ltd.; KRW 84.0bn from Cheonan-Nonsan Expressway Co., Ltd.; KRW 12.5bn from Soojungsan Investment Co., Ltd.; KRW 3.0bn from Kwangju Ring Road Company, Ltd.  
1Q 2020: dividend income of KRW 28.9bn from New Airport Hiway Co., Ltd.; KRW 45.3bn from Cheonan-Nonsan Expressway Co., Ltd.; KRW 17.0bn from Soojungsan Investment Co., Ltd.

# Financial Results

Unaudited, non-consolidated – 1Q 2021 and 1Q 2020



- 1Q 2021 revenue and net income increased by 16.6% and 17.8% respectively compared with the pcg
- The increase in revenue and net income was mainly due to higher interest income and dividend income<sup>1</sup>

(Unit: KRW million)

	1Q 2021 (Jan – Mar)	1Q 2020 (Jan – Mar)	% Change
<b>Revenue</b>	<b>164,187</b>	<b>140,866</b>	<b>16.6%</b>
Interest income	53,836	49,607	
Dividend income <sup>1</sup>	110,350	91,184	
Other income	1	75	
<b>Expenses</b>	<b>10,898</b>	<b>10,771</b>	<b>1.2%</b>
Management fee	8,670	8,192	
Interest expense	1,565	1,840	
Other fees and expenses	663	739	
<b>Net income</b>	<b>153,289</b>	<b>130,095</b>	<b>17.8%</b>
<b>Normalised net income<sup>2</sup></b>	<b>153,289</b>	<b>130,095</b>	<b>17.8%</b>
<b>EPS (KRW per share)</b>	<b>412</b>	<b>373</b>	
<b>Normalised EPS (KRW per share)<sup>2</sup></b>	<b>412</b>	<b>373</b>	

1. 1Q 2021: dividend income of KRW 10.8bn from New Airport Hiway Co., Ltd.; KRW 84.0bn from Cheonan-Nonsan Expressway Co., Ltd.; KRW 12.5bn from Soojungsan Investment Co., Ltd.; KRW 3.0bn from Kwangju Ring Road Company, Ltd.  
1Q 2020: dividend income of KRW 28.9bn from New Airport Hiway Co., Ltd.; KRW 45.3bn from Cheonan-Nonsan Expressway Co., Ltd.; KRW 17.0bn from Soojungsan Investment Co., Ltd.

2. Excludes one-off items  
1Q 2021 and 1Q 2020: no one-off item

# Financial Results

Audited, non-consolidated – 2020 and 2019



- 2020 revenue and net income increased by 3.1% and 4.4% respectively compared with the pcg
- Revenue increased due to higher interest income and dividend income<sup>1</sup>, and net income increased due to higher revenue and reduced expenses

(Unit: KRW million)

	2020	2019	% Change
<b>Revenue</b>	<b>304,396</b>	<b>295,204</b>	<b>3.1%</b>
Interest income	205,730	198,935	
Dividend income <sup>1</sup>	98,471	93,721	
Other income <sup>2</sup>	195	2,548	
<b>Expenses</b>	<b>45,101</b>	<b>46,917</b>	<b>(3.9%)</b>
Management fee	33,684	36,087	
Interest expense	8,377	7,942	
Other fees and expenses	3,040	2,888	
<b>Net income</b>	<b>259,295</b>	<b>248,287</b>	<b>4.4%</b>
<b>Normalised net income<sup>2</sup></b>	<b>259,295</b>	<b>246,057</b>	<b>5.4%</b>
<b>EPS (KRW per share)</b>	<b>742</b>	<b>711</b>	
<b>Normalised EPS (KRW per share)<sup>2</sup></b>	<b>742</b>	<b>705</b>	

1. 2020: dividend income of KRW 31.3bn from New Airport Hiway Co., Ltd.; KRW 45.3bn from Cheonan-Nonsan Expressway Co., Ltd.; KRW 17.0bn from Soojungsan Investment Co., Ltd.; KRW 4.9bn from Kwangju Ring Road Company, Ltd.  
2019: dividend income of KRW 34.9bn from New Airport Hiway Co., Ltd.; KRW 51.8bn from Cheonan-Nonsan Expressway Co., Ltd.; KRW 7.0bn from Soojungsan Investment Co., Ltd.
2. Excludes one-off items  
2020: no one-off item  
2019: other income of KRW 2.2bn (prepayment fee income resulted from the refinancing of BNCT Co., Ltd.)



# Statement of Financial Position

Non-consolidated – as at 31 March 2021 and 31 December 2020



(Unit: KRW mil)

	31 March 2021	31 December 2020
<b>Assets</b>		
Invested Assets	<b>1,795,390</b>	<b>1,801,033</b>
Cash & deposits	65,731	71,362
Loans	1,265,749	1,265,761
Equity securities	463,910	463,910
Others	<b>556,055</b>	<b>532,855</b>
Interest receivable	548,408	525,281
Other receivables	2,349	2,348
Deferred costs, net	3,217	3,267
Prepayment	2,081	1,959
<b>Total Assets</b>	<b>2,351,445</b>	<b>2,333,888</b>
<b>Liabilities</b>		
Management fee payable	8,670	8,329
Long-term debt	-	-
Bonds	199,671	199,644
Other liabilities	6,680	8,791
<b>Total Liabilities</b>	<b>215,021</b>	<b>216,764</b>
<b>Shareholders' Equity</b>		
Share capital	2,057,517	2,057,517
Retained earnings	78,907	59,607
<b>Total Shareholders' Equity</b>	<b>2,136,424</b>	<b>2,117,124</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,351,445</b>	<b>2,333,888</b>

## CHANGE IN INVESTMENT

No change in investment except for loan amortization of KRW 12 million from Baekyang Tunnel Ltd.

# Toll Roads Performance

- Key highlights for 1Q 2021 are:
  - The declines were caused mostly by the lower traffic volume for the two toll road assets linked to the Incheon International Airport, which were negatively affected by the decline in the number of airport users following the COVID-19 outbreak
  - Traffic revenue declined less than volume as the Government granted exemption of the toll payment for certain assets during the Korean Lunar New Year holiday season in 1Q 2020, while the Government did not grant such toll exemption in 1Q 2021. The assets which toll exemption was granted in 1Q 2020 received full compensation for the revenue loss from the Government
  - Traffic revenue of Seoul-Chuncheon Highway declined more than its volume primarily due to the effect of the toll fare reduction as part of restructuring in December 2020. Toll revenue loss resulting from the toll fare reduction is fully compensated via quarterly funding from a new loan facility provided by the new lenders

	1Q 2021			
	Average daily traffic volume		Average daily revenue <sup>1</sup>	
	Vehicles/day	% change yoy	KRW1,000/day	% change yoy
Baekyang Tunnel	71,550	2.5%	59,569	3.0%
Gwangju 2nd Beltway, Section 1	59,027	8.7%	62,846	8.6%
Incheon International Airport Expressway	60,393	(23.6%)	265,837	(27.3%)
Soojungsan Tunnel	44,960	1.4%	41,594	2.1%
Cheonan-Nonsan Expressway	52,057	2.8%	242,441	7.2%
Woomyunsan Tunnel	31,909	5.8%	69,945	6.1%
Gwangju 2nd Beltway, Section 3-1	53,270	11.0%	57,213	11.2%
Machang Bridge	38,840	10.2%	85,635	14.9%
Yongin-Seoul Expressway	88,417	0.3%	142,054	3.2%
Seoul-Chuncheon Highway	51,665	1.5%	228,382	(15.1%)
Incheon Grand Bridge	39,057	(19.4%)	181,122	(15.9%)
BNP the 2nd Rear Road	18,618	8.8%	36,367	10.8%
<b>Weighted average growth rate<sup>1</sup></b>		<b>(3.4%)</b>		<b>(2.6%)</b>

- Does not include government support payments; Baekyang Tunnel, Gwangju 2nd Beltway Section 1 & 3-1, Soojungsan Tunnel, Cheonan-Nonsan Expressway, Machang Bridge, Seoul-Chuncheon Highway and Incheon Grand Bridge receive support payments from government if their toll revenue or cash flow in a given period is less than specified amount under concession agreement
- On a weighted average basis based on the revenue size and MKIF equity ownership in each project company

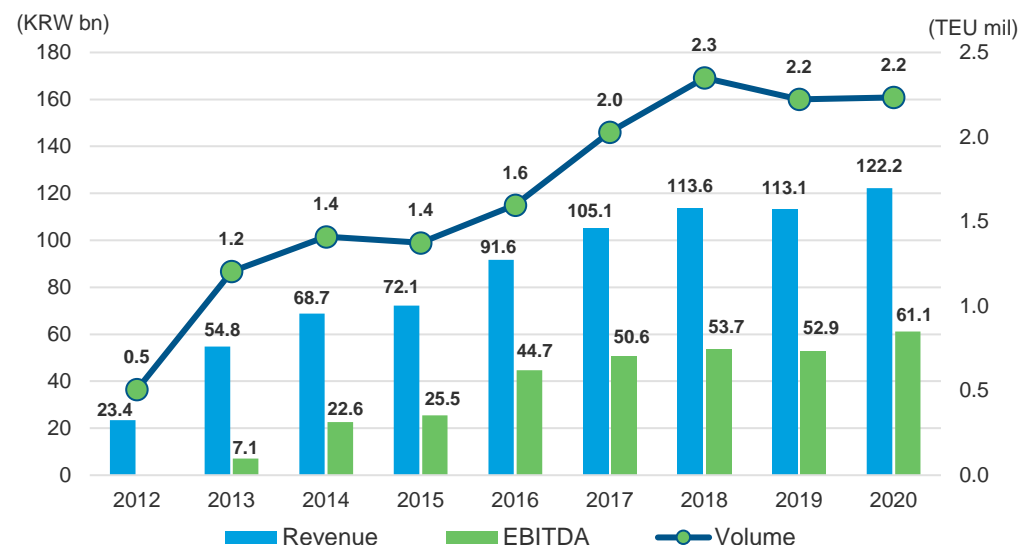
# Port Performance



## BNCT 1Q 2021 Performance

	1Q 2021	1Q 2020	Change over pcq
Volume (TEU million)	0.55	0.51	8.9%
Revenue (KRW billion)	31.8	27.1	17.3%
EBITDA (KRW billion)	14.6	11.8	24.3%
EBITDA margin	46.0%	43.4%	3.8%p

## BNCT Historical Results



- BNP 2-3 handled 0.55 million TEUs during 1Q 2021, an increase of 8.9% over pcq.
- Revenue improved by 17.3% over pcq to KRW 31.8 billion due to a rise in volume, a change in volume mix and an increase in tariff
- EBITDA improved by 24.3% over pcq to KRW 14.6 billion due to an increase in revenue and a decrease in operating expenses. EBITDA margin was 46%
- BNCT raised additional capex funding in April 2019 via debt refinancing to undertake further capacity expansion, and the maximum capacity of BNP 2-3 has increased from 2.5 million TEUs to 3.2 million TEUs during January 2021

# Busan Port

- Busan Port is comprised of Busan New Port (the “New Port”) and Busan North Port (the “North Port”)
- Busan Port handled 21.5 million TEUs<sup>1</sup> of container volume in 2020, of which the New Port handled 69% or 14.9 million TEUs
- The New Port’s utilization rate and the market share within Busan have been on a growing trend over the last 8 years mainly due to (i) stable container volume growth in Busan Port overall and (ii) migration of vessel services from the North Port to the New Port

## Busan Port Highlights

FY2018	BNP 2-3	New Port <sup>1</sup>	North Port <sup>1</sup>
Number of Terminals in Operation	(New Port Terminal)	5 Terminals	3 Terminals
Capacity <sup>2</sup> (TEUs p.a.)	2.5 mil	15.2 mil	7.3 mil
Handling Volume <sup>3</sup> (TEUs)	2.23 mil	14.9 mil	6.6 mil
Volume Growth (over pcp)	0.5%	(0.3%)	(1.1%)
Utilisation Rate	89%	98%	91%
Market Share <sup>4</sup> within Busan Port	10%	69%	31%

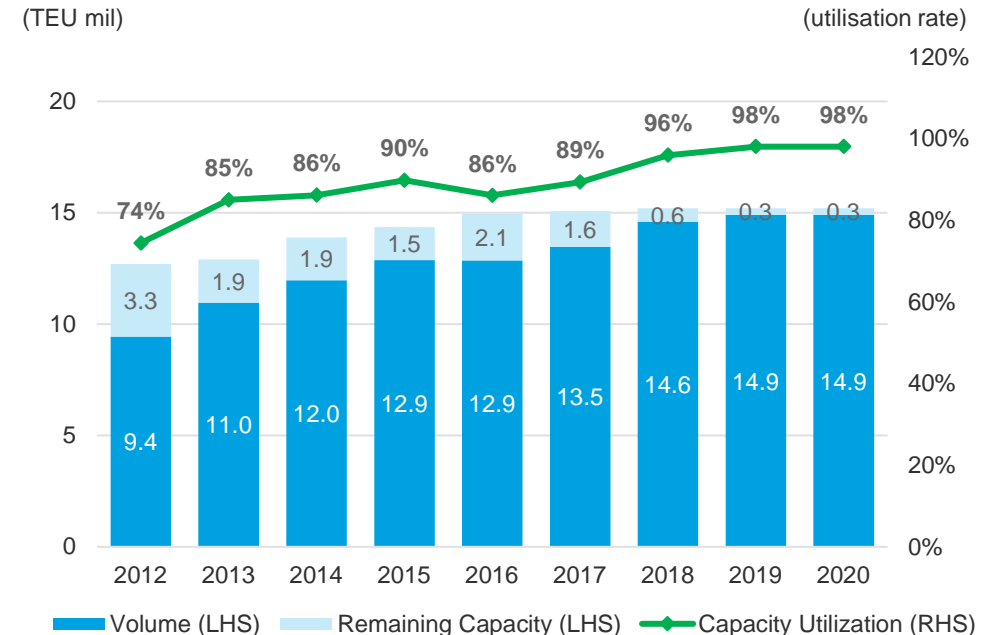
1. Source: Busan Port Authority

2. Excludes the expanded capacity, as the capacity expansion of BNP 2-3 was completed in Jan 2021

3. Source: volume for BNP 2-3 includes shifting; volumes for the New Port and the North Port are compiled by Busan Port Authority and do not include shifting

4. Based on 2020 handling volume

## Historical Performance of the New Port<sup>3</sup>





# Major Litigation and Dispute

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- The litigation<sup>1</sup> involving claim of overdue government support payments by Beakyang Tunnel Ltd. was closed in June 2020 after Busan High Court rendered a decision to recommend a reconciliation of the dispute pursuant to the agreement between Busan Metropolitan City and Beakyang Tunnel Ltd. that a change in the corporate tax rate in Korea during the concession period is a legitimate cause for adjusting the real toll fare of Baekyang Tunnel
- The international arbitration<sup>2</sup> involving the request for interpretation of the terms of Non-Compete Provision under the Concession Agreement by Incheon Bridge Co., Ltd. was closed in June 2020 after the arbitral tribunal of the International Chamber of Commerce rendered the final award that the compensation obligation of the Ministry of Land, Infrastructure and Transport under the Non-Compete Provision is triggered if a new competing road causes traffic volume of Incheon Grand Bridge to decline by mere 5% or more
- Currently, there is no major litigation or dispute that in MKIF's view<sup>3</sup> would require a separate disclosure considering the level of potential impact on MKIF

1. 26 May 2020 disclosure titled Settlement by Mutual Agreement for the Overdue Support Payment Claim by Baekyang Tunnel Ltd.

2. 25 June 2020 disclosure titled Incheon Bridge Co., Ltd. Receives the Final Award for Arbitration from the International Chamber of Commerce

3. Some litigations and disputes are pending at the project company level, but MKIF views that they do not require a separate disclosure by MKIF considering the level of potential impact the results of such litigations and disputes would have on MKIF

# 3 | Restructuring of Seoul-Chuncheon Highway Co., Ltd.

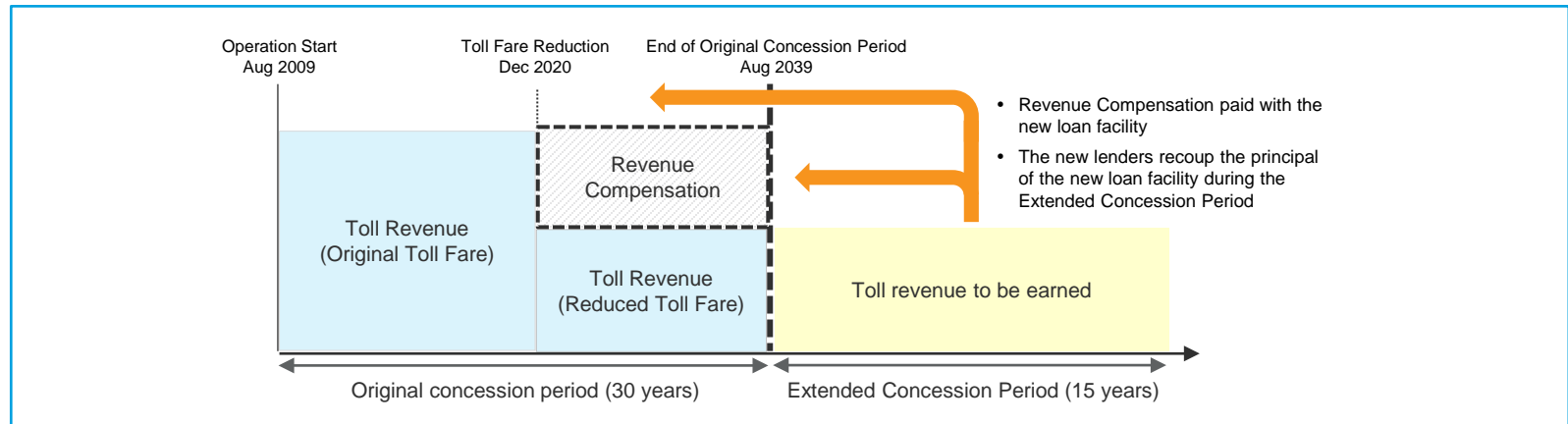


# Restructuring Highlights

## Restructuring Highlights

- Seoul-Chuncheon Highway Co., Ltd. ("SCH") completed restructuring in December 2020 that involves:
  - (i) Reduction of toll fare by 28%<sup>1</sup> (toll fare reduction effective from 24 December 2020)
  - (ii) The new lenders will fully compensate SCH for toll revenue loss (the "Revenue Compensation") resulting from the toll fare reduction during the remaining original concession period through quarterly funding from a new loan facility with a facility limit of KRW 1,070 billion
    - The quarterly funding<sup>2</sup> includes the Revenue Compensation, interest expense & financing costs associated with the new loan facility and other expenses related to the restructuring
    - Impact of traffic volume increase attributable to the toll fare reduction is to be calculated based on traffic volume / toll fare elasticity and will be excluded from the Revenue Compensation
  - (iii) The concession period of the Seoul-Chuncheon Highway project will be extended by 15 years from 12 August 2039 to 11 August 2054 (the "Extended Concession Period"), and the principal of the new loan facility will be repaid during the Extended Concession Period
    - MKIF is to exit its investment in SCH at the end of the original concession period, as the anticipated project return during the Extended Concession Period is not in line with MKIF's target level due to adoption of the cost compensation scheme<sup>3</sup>
  - (iv) No change in the amount and terms of MKIF's investment in SCH during the original concession period

## Conceptual Diagram: Revenue Compensation



- Toll fare reduced from KRW 5,700 per vehicle to KRW 4,100 per vehicle for Type 1 vehicles (small vehicles); toll fare based on the entire section of Seoul-Chuncheon Highway
- Funding is adjusted for the tax shield created from the restructuring
- If the resulting amount from (actual revenue – expense items specified in the Amended Concession Agreement) is a negative figure, the competent authority provides cost compensation for the deficit; if it is a positive figure, the competent authority recoups the excess
- Conceptual diagram and may be different from the actual; while the MRG provision is effective until Aug 2024, the diagram assumes that SCH would not rely on MRG in the future based on recent traffic volume growth of Seoul-Chuncheon Highway



# 4 | Follow-on Offering



# 2020 MKIF Follow-on Offering

- **Offer Size:** 23,148,149 new common shares (6.6% of previous outstanding shares)
- **Offer Type:** a rights offering followed by a public offering of forfeited shares
  - Shareholders registered to MKIF's shareholders' registry on 11 Nov 2020 (the "Record Date") were provided warrants (the "Warrants") that grant preferential subscription rights on the New Shares pro-rata to their shareholdings; the Warrants were listed for trading from 30 Nov 2020 to 4 Dec 2020
  - The holders of the Warrants may over-subscribe up to 100% of their allotted number of new shares in excess of their allotted shares ("Over-subscription")
- **Offer Price:** KRW 10,550 per share (pre-determined discount rate of 2.5% applied to the reference price<sup>1</sup>)
- **Subscription Results:** 41,560,189 shares were subscribed in aggregate (total subscription rate of 180%)
  - Number of shares subscribed and over-subscribed by warrant holders: 27,190,177 shares (subscription rate of 117%)
  - Number of shares subscribed by participants of the public offering of the fractional shares<sup>2</sup>: 14,370,012 shares (subscription ratio: 921.27 : 1)
- **Offer Proceed & Listing:** MKIF received the Offering Proceed of KRW 244.2 billion on 22 Dec 2020, and the new shares were listed on 4 Jan 2021
- **Use of Proceed<sup>3</sup>:**
  - KRW 82.7 billion: investment in Dongbuk Light Rail Transit Project (MKIF's investment commitment is KRW 82.7 billion)
  - KRW 110.7 billion: repayment of KRW 110.7 billion drawn down from MKIF's revolving credit facility at the end of Sep 2020 for investment in Busan New Port the 2nd Rear Road Project
  - Remaining KRW 48.5 billion: repayment of MKIF's debt to maintain liquidity required for potential new investments & operational needs in the future
- **MKIF Impact:**
  - MKIF's share capital has increased to KRW 2,057.5 billion (KRW 241.9 billion<sup>3</sup> increase from the previous share capital of KRW 1,815.6 billion)
  - MKIF debt ceiling has increased to KRW 617.3 billion<sup>4</sup> (KRW 72.6 billion increase from the previous debt ceiling of KRW 544.7 billion<sup>4</sup>)

1. Determined pursuant to Article 57 of the Regulation on Securities Issuance and Disclosures  
 2. 15,598 fractional shares resulted from the allocation of the over-subscribed shares  
 3. Calculated based on the offering proceed of KRW 244.2bn minus the offering costs of KRW 2.3bn  
 4. MKIF debt ceiling under PPP Act is 30% of its share capital



# 5 | Investment in Dongbuk Light Rail Transit Project



# Investment Highlights

## 1 To invest in a light rail transit Project in northeast Seoul

### • Dongbuk Light Rail Transit Project

- Concession project to build & operate a light rail transit system in northeast Seoul
- Competent Authority: Seoul Metropolitan City  
Concessionaire: Dongbuk LRT Co., Ltd.
- Project investment of KRW 779.7bn in the form of equity and sub & senior loans
- Construction: 5 years (1H 2021-1H 2026 expected) / Operation: 30 years

### • MKIF to invest KRW 82.7bn

- Targets to acquire 30% of equity (KRW 35.4bn) and 50% of sub-loan (KRW 47.3bn) interest in the Concessionaire
- Investment amount is equivalent to ~5% of MKIF portfolio<sup>1</sup>
- To be funded with the offering proceeds from MKIF's follow-on offering<sup>2</sup>; drawdown anticipated over the construction period<sup>3</sup>

## 2 Dongbuk LRT is expected to serve transport needs of various groups

### • To provide a competitive transportation option along its route

- The route passes through population-dense areas in Seoul with ~520,000<sup>4</sup> residents living near the railway stations
- Current surrounding transport infrastructure is comparatively under-developed to efficiently serve this robust demand
- Dongbuk LRT is expected to offer a new competitive transportation means along its route in terms of travel time and cost, attracting some of the commuting drivers and public transportation users in the region

### • To provide an access to and from the main business districts of Seoul

- 7 of 16 stations are transfer stations that connect to 9 other metro systems in Seoul
- Dongbuk LRT will provide users an access to/from 3 main business districts of Seoul (CBD, YBD, GBD) via its transfer stations

## 3 Positive impacts to MKIF expected<sup>5</sup>

### • Improvement in distributable earnings

- Improvement in MKIF's distributable earnings expected due to income generated from the Investment
- Secured various contractual provisions<sup>6</sup> from the Seoul Metropolitan City ("SMC") and construction investors ("CI") to protect MKIF against risks associated with the Project's revenue

### • Return enhancement

- Enhancement of MKIF's total shareholder return anticipated following the Investment

### • Extension of the operating life of MKIF portfolio by ~1 year<sup>1</sup>

- The Investment will extend the weighted average operating life of MKIF portfolio by ~1 year<sup>1</sup>

1. Weighted average on an investment amount basis on 31 Mar 2021; full deployment of the investment commitment assumed

2. Please refer to the relevant follow-on offering disclosure dated 29 Oct 2020

3. KRW 15.0bn has been deployed out of MKIF's investment commitment of KRW 82.7bn in Dongbuk LRT Co., Ltd.

4. Source: Statistical Geographic Information Service provided by Statistics Korea of the Korean Government; number of residents is the sum of residents registered to local districts that Dongbuk LRT railway stations are located

5. Actual may be different from expectation

6. SMC Obligations: (i) free ride compensation (up to 21.2%~30.8% of annual Concession Agreement ("CA") forecast demand, (ii) toll freeze compensation, (iii) termination payment upon early termination of the concession

7. CI Obligations: (i) For every year starting from the fifth anniversary of the operation period to the end of the operation period, if the accumulated actual revenue of the Concessionaire falls at or below 80% of the accumulated CA forecast revenue, the CIs are obligated to provide a joint guarantee to complete the refinancing necessary to fully repay FIs' equity capital and principal & interest of the subordinated loan, (ii) If the termination payment received due to fault of the Concessionaire is insufficient to fully repay FIs' equity capital and principal & interest of the subordinated loan, the CIs are to provide a joint guarantee on the shortfall, (iii) If the accumulated actual operating costs exceed the accumulated CA forecast operating costs, the CIs are obligated to reimburse the excess cost to the Concessionaire, (iv) Cash deficiency support of KRW 60bn is provided to the Concessionaire to guarantee a certain level of quarterly cash yield for the FIs

# Project Overview



Located in the population-dense region in northeast Seoul, Dongbuk LRT is expected to provide users a competitive transportation means along its route and an access to/from main business districts of Seoul

## Project Overview

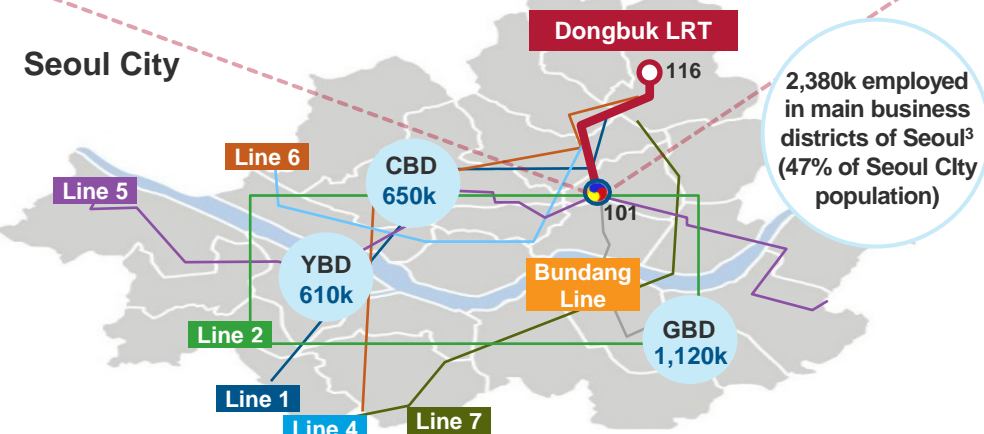
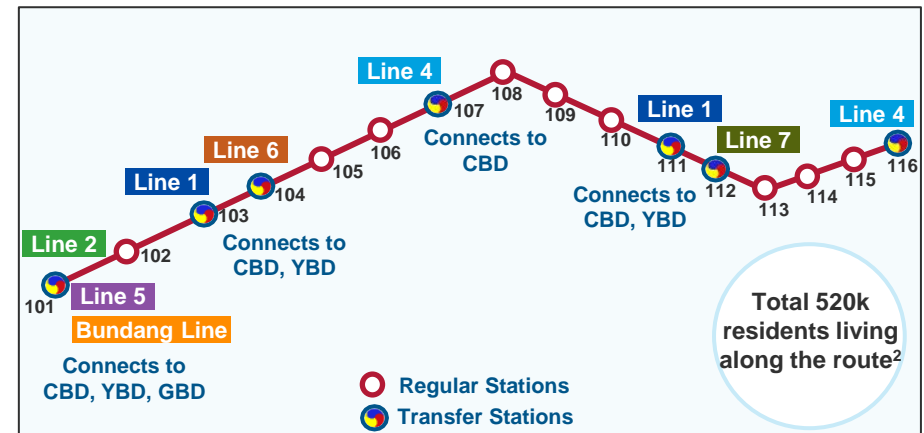
<b>Concessionaire</b>	Dongbuk LRT Co., Ltd.
<b>Competent Authority</b>	Seoul Metropolitan City ("SMC")
<b>Project Type</b>	Build-transfer-operate
<b>Target Asset</b>	Dongbuk Light Rail Transit System
<b>Location</b>	Northeast Seoul (Wangsimni of Seongdong-gu ~ Sanggye of Nowon-gu )
<b>Length</b>	13.4km
<b>No. of Stations</b>	16 (including 7 transfer stations)
<b>Construction Period</b>	5 years January 2020 ~ December 2024 (expected)
<b>Concession Term (Operation Period)</b>	30 years from operation commencement date January 2025 ~ December 2054 (expected)
<b>Project Investment<sup>1</sup></b>	KRW 779.7bn

1. Amount of private investment required post government subsidy

2. Source: Statistical Geographic Information Service provided by Statistics Korea of the Korean Government; number of residents is the sum of residents registered to local districts which Dongbuk LRT railway stations are located

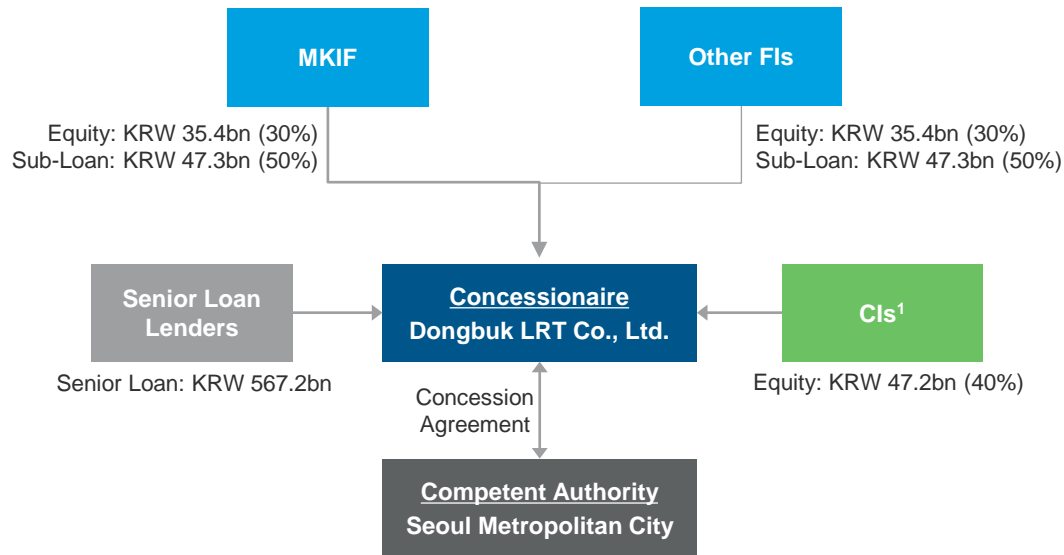
3. Source: Seoul City Public Database (number of employees in Central Business District ("CBD"; Jongno-gu and Jung-gu), Yeouido Business District ("YBD"; Yeongdeungpo-gu and Mapo-gu) and Gangnam Business District ("GBD"; Gangnam-gu and Seocho-gu))

## Dongbuk LRT Route



# Project Structure

## Project Structure



## Project Investment Summary

Equity	KRW 117.9bn
Subordinated Loan ("Sub-Loan")	KRW 94.6bn
Senior Loan	KRW 567.2bn
<b>Total Project Investment</b>	<b>KRW 779.7bn</b>

## Key Financing Terms

Tranche	Size	Key Terms <sup>2</sup>
Senior Loan Tranche A / B	KRW 500.0bn	<ul style="list-style-type: none"> <li>Interest Rate:               <ul style="list-style-type: none"> <li>- Fixed 3.3%</li> <li>- 3-year, AA- unsecured corporate bond rate<sup>3</sup> + 1.3% p.a.</li> </ul> </li> <li>Term: 29 years</li> </ul>
Senior Loan Tranche C / D	KRW 67.2bn	<ul style="list-style-type: none"> <li>Interest Rate:               <ul style="list-style-type: none"> <li>- Fixed 3.3%</li> <li>- 3-year, AA- unsecured corporate bond rate<sup>3</sup> + 1.3% p.a.</li> </ul> </li> <li>Term: 7 years</li> </ul>
<b>Senior Loan</b>	<b>KRW 567.2bn</b>	
Sub-Loan	KRW 94.6bn	<ul style="list-style-type: none"> <li>Interest Rate:               <ul style="list-style-type: none"> <li>- Fixed 9.0% (construction period)</li> <li>- Fixed 14.0% (operation period)</li> </ul> </li> <li>Term: 34.5 years</li> </ul>
<b>Total</b>	<b>KRW 661.8bn</b>	

1. Construction Investors ("CI"): Hyundai Engineering Co., Ltd. (12.80%), Hyundai Rotem Co. (8.84%), Kumho Industrial Co., Ltd. (6.96%), Kolon Global Corporation Co., Ltd. (4.20%), Hoban Engineering Co., Ltd. (4.20%), Dae Myung Construction (3.00%)



2. Interest rates include the fee charged by Korea Credit Guarantee Fund to guarantee repayment of the loan

3. 2.060% on 31 Mar 2021 (KOFIA)






# Project Participants

## Major CIs

Company	Investment Form	Credit Rating <sup>1</sup>	Asset <sup>2</sup>	Revenue <sup>2</sup>	Remarks
 <b>HYUNDAI</b> ENGINEERING CO., LTD.	Equity	AA-	KRW 5.9tn	KRW 7.2tn	Major EPC company in Korea
 <b>HYUNDAI</b> <b>Rotem</b>	Equity	A-	KRW 4.2tn	KRW 2.8tn	Global manufacturer of trains

## Major FIs and Senior Loan Lenders

Company	Investment Form	Credit Rating <sup>1</sup>	Asset <sup>2</sup>	Revenue <sup>2</sup>	Remarks
 <b>KB Kookmin Bank</b>	Senior Loan	AAA	KRW 438.4tn	KRW 11.9tn	#1 Bank in Korea (rank based on asset size <sup>2</sup> )
 <b>Industrial</b> <b>Bank of Korea</b>	Equity Senior Loan	AAA	KRW 361.6tn	KRW 9.6tn	Government-owned Bank
 <b>KDB Bank</b>	Equity Senior Loan	AAA	KRW 305.0tn	KRW 6.5tn	Government-owned Bank

1. Latest credit rating published by Korea Ratings Corporation, Korea Investor Services Inc. and/or NICE Investors Service Co. on bonds issued by respective company

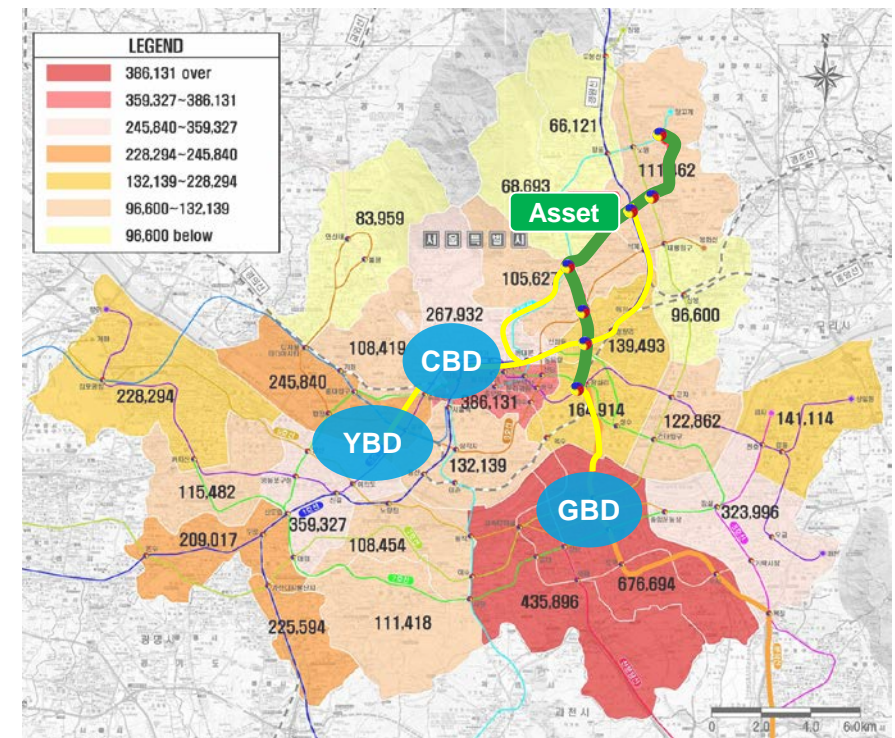
2. Asset and revenue from 2020 consolidated financial statements of respective company; the revenues of the banks are the sum of interest income, commission income and dividend income



## Seoul City's Demographics by Region<sup>1</sup>

- ## Seoul City's Employment Status by Region<sup>2</sup>

- Dongbuk LRT provides an access to the main business districts of Seoul (CBD, YBD, GBD) via its transfer stations
- ~2,380,000 people (~47% of total population of Seoul City) are in employment in CBD / YBD / GBD

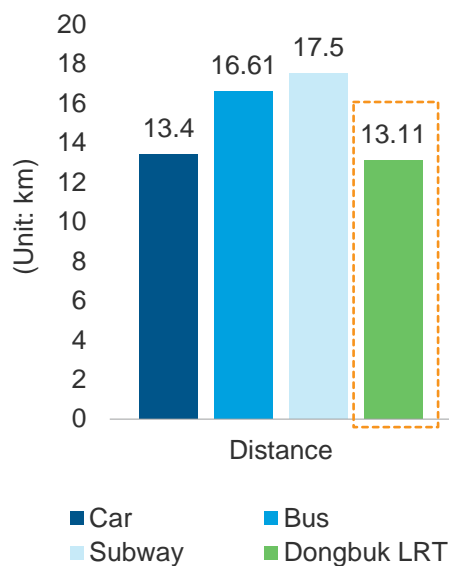


1. Source: Statistical Geographic Information Service provided by Statistics Korea of the Korean Government; number of residents is the sum of residents registered to local districts which Dongbuk LRT railway stations are located

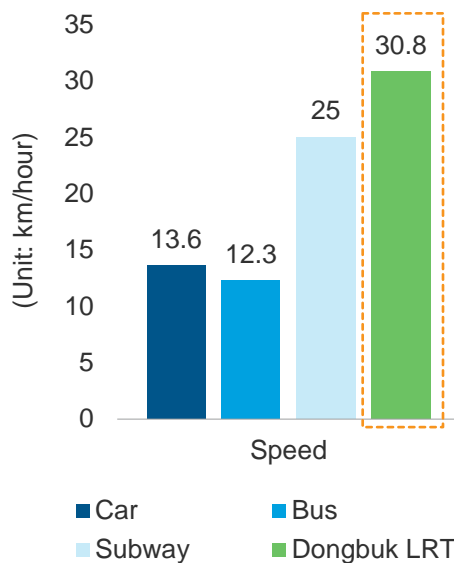
# Asset Highlights (2) – Competitive Means of Transportation<sup>1</sup>

Dongbuk LRT is anticipated to offer a new competitive means of transportation along its heavily-congested route

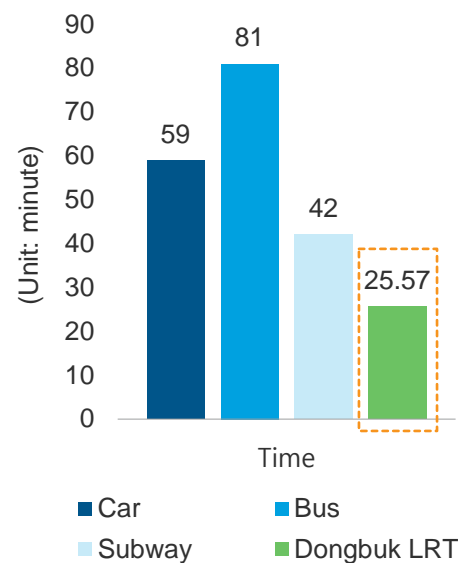
Travel Distance



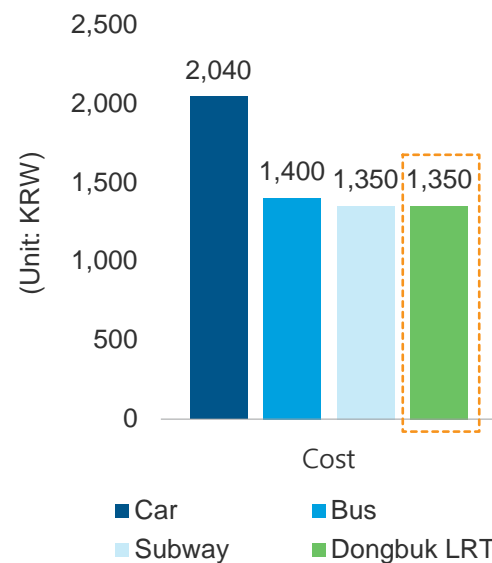
Travel Speed



Travel Time



Travel Cost



Dongbuk LRT is anticipated to offer a competitive transportation means in terms of travel time and cost

1. Source for Car/Bus/Subway: major map service providers in Korea  
Source for Dongbuk LRT: Seoul City Press Release on 25 Sep 2019 and the results of traffic due diligence studies arranged by the Concessionaire and MKIF

# Asset Highlights (3) – Robust Public Transportation User Base

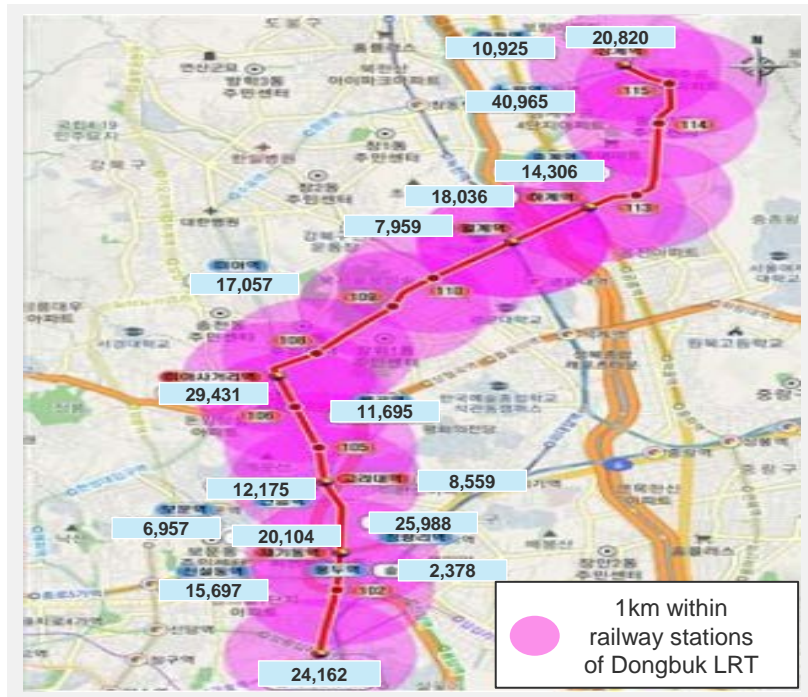
Dongbuk LRT is forecasted attract some of ~640,000 daily users of the existing public transportation in the region

## Demand for Subways<sup>1</sup>

- ~290,000 daily passengers are using the existing subways near Dongbuk LRT

## Demand for Buses<sup>2</sup>

- ~350,000 daily users are taking buses along the route of Dongbuk LRT

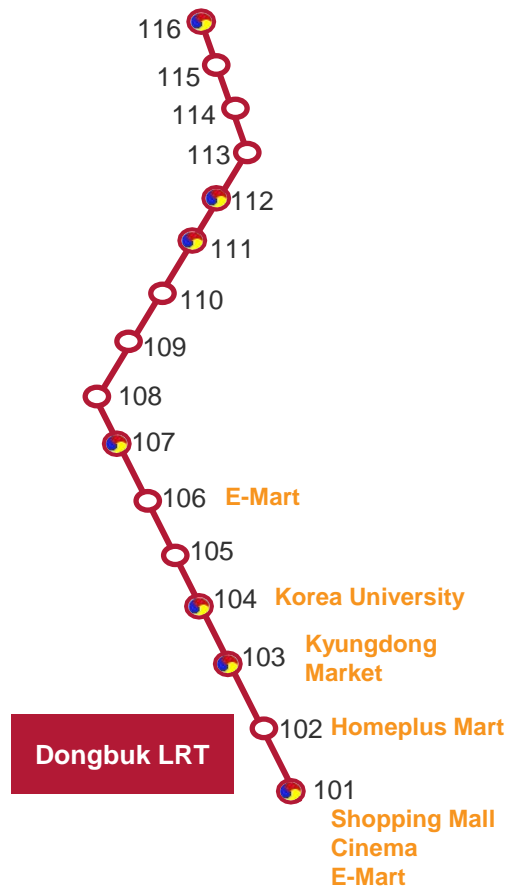


1. Source: Seoul City Public Database  
 2. Source: Korea Rail Information Center managed by Korea Rail Network Authority under the Ministry of Land, Infrastructure and Transport of the Korean Government



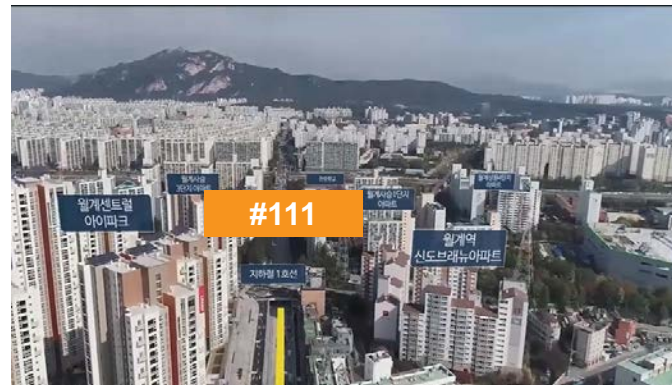
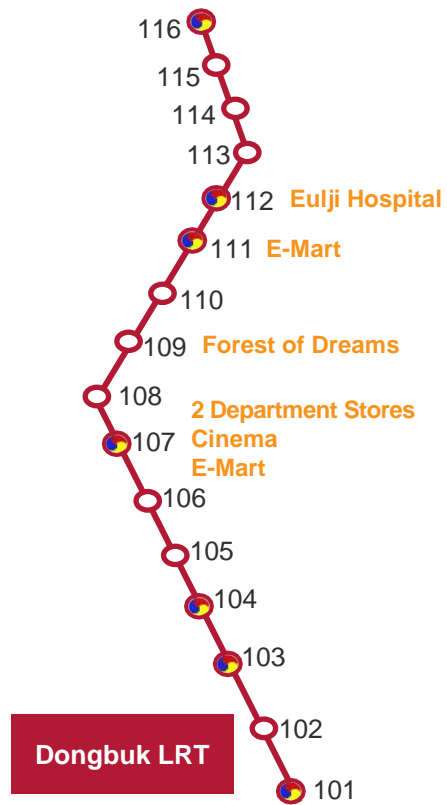
# Region Landscape (1)

Dongbuk LRT passes through highly-populated regions with narrow street lines underground



# Region Landscape (2)

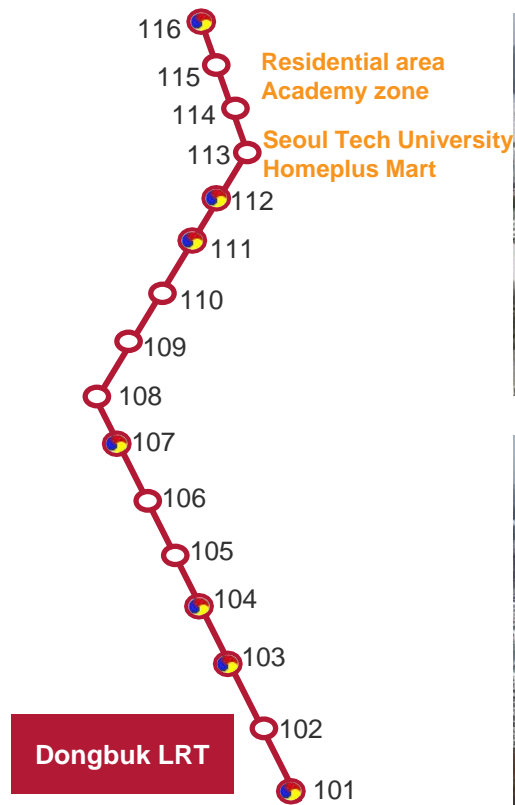
Dongbuk LRT passes through highly-populated regions with narrow street lines underground





# Region Landscape (3)

Dongbuk LRT passes through highly-populated regions with narrow street lines underground



# Region Landscape (4)

Numerous facilities and attractions are in place along the route for users to visit



101: Shopping Mall (Enter Six)



101,107,: Cinema (CGV)



101,106,107,111: E-Mart



102,113: Homeplus Mart



103: Kyungdong Market



104: Korea University



107: Hyundai Department Store



107: Lotte Department Store



109: Forest of Dreams (660,000 m²)



112: Eulji Hospital



113: Seoul Tech University



114: Academy Zone





# Revenue Analysis

## 1 Fare Revenue

### A Farebox Revenue

$$\left[ \begin{array}{c} \text{P} \\ \text{KRW 1,250}^1 \\ \text{(Actual Base Fare)} \end{array} \times \begin{array}{c} \text{Q} \\ \text{\# Paid Direct Users} \end{array} + \begin{array}{c} \text{Distance Revenue} \\ \text{(>10km)} \\ \text{(Distance Fare}^2\text{)} \end{array} \right] - \begin{array}{c} \text{Transfer} \\ \text{Discount}^3 \end{array}$$

### B Free Ride Compensation<sup>4,5</sup> from SMC

$$\begin{array}{c} \text{KRW 1,250}^1 \\ \text{(Actual Base Fare)} \end{array} \times \begin{array}{c} \text{\# Free Direct Users}^4 \end{array}$$

### C Toll Freeze Compensation<sup>6</sup> from SMC

$$\begin{array}{c} \text{Toll Difference}^6 \end{array} \times \begin{array}{c} \text{Direct Users + Transfer Users} \end{array}$$

## 2 Ancillary Revenue

$$\begin{array}{c} \text{Store Lease} \end{array} + \begin{array}{c} \text{Advertisement} \end{array} + \begin{array}{c} \text{Telecommunication} \end{array}$$

**Contractual provision<sup>7</sup>  
in place to protect the  
FIs (MKIF) from  
downside risk on the  
entire revenue**

1. Actual base fare charged to users in 2019
2. Greater than 10km, within 50km: KRW 100 per 5km / Greater than 50km: KRW 100 per 8km
3. Discount on transfers among public transportations in the Seoul Metropolitan area in accordance with the Metropolitan Unity Fare system in Korea
4. The groups listed in the relevant Korean law (people with age of 65 or more, handicapped, national merit veterans, etc.) can use certain public transportation free of charge in Korea
5. Compensated up to 21.2%~30.8% of the annual CA forecast demand
6. Compensation for the difference between the CA fare and the actual fare; the CA fare is KRW 1,120 on a real basis for year 2007 and escalates annually with the consumer price index
7. For every year starting from the fifth anniversary of the operation period to the end of the operation period, if the accumulated actual revenue of the Concessionaire falls at or below 80% of the accumulated CA forecast revenue, the CIs are obligated to provide a joint guarantee to complete the refinancing necessary to fully repay FIs' equity capital and principal & interest of the subordinated loan

# 6 | Investment in BNP the 2nd Rear Road Project



# Investment Highlights

## 1 To invest in Busan New Port the 2nd Rear Road Project

- **Busan New Port the 2nd Rear Road Project**
  - A concession project to operate & manage a 15.3km Busan New Port the 2nd Rear Road (“BNP SRR”) that links Busan New Port Hinterland Complex and Jillye Junction on Namhae Expressway
  - Competent Authority: the Ministry of Land, Infrastructure and Transport (“MOLIT”) Concessionaire: Busan New Port the 2nd Rear Road Co., Ltd. (“BNP SRRC”)
  - Operation: 30 years (2017 ~ 2047)
- **MKIF to invest KRW 110.7bn**
  - To acquire 47.6% of equity (KRW 41.5bn) and 81.0% of subordinated loan (KRW 69.2bn) interests in the Concessionaire
  - Investment is ~6%<sup>1</sup> of MKIF portfolio
  - Investment (KRW 110.7 billion) was made at the end of Sep 2020 using the proceeds drawn down from revolving credit facility

## 2 Competitive transportation means to/from Busan New Port

- **One of two main roads to/from Busan New Port**
  - Compared to its competing road, BNP SRR is predicted<sup>2</sup> to provide travel distance and time reductions of 18.3km and 34 minutes to travelers to/from Busan New Port<sup>3</sup>
  - Compound annual traffic growth rate of 49% during initial ramp-up period from the operation commencement in 2017 to 2019
- **Potential increase in traffic demand**
  - Current traffic demand mostly comes from Busan New Port (1-1 ~ 2-3), Busan New Port Hinterland Complex and adjacent residential & commercial complexes
  - Potential for increase in traffic demand exists based on the development<sup>2</sup> of Busan New Port 2-4 ~ 2-6, Busan Second New Port and additional industrial complexes near the region

## 3 Positive impacts to MKIF expected<sup>4</sup>

- **Improvement in distributable earnings**
  - Improvement in MKIF’s distributable earnings expected due to income generated from the Investment
  - Secured various contractual provisions<sup>5</sup> from construction investors (“CI”s) to protect MKIF against possible risks associated with the Project
- **Return enhancement**
  - Enhancement of MKIF’s total shareholder return anticipated following the Investment
- **Extension of the operating life of MKIF portfolio by ~1 year<sup>1</sup>**
  - The Investment will extend the weighted average operating life of MKIF portfolio by ~1 year<sup>1</sup>

1. As at 31 Mar 2020

2. Source: Development Plan for Busan-Jinhae Free Economic Zone announced by MOLIT on 26 Dec 2017; public releases distributed by the Ministry of Maritime Affairs and Fisheries on 3 May 2019 and 25 Jun 2019

3. Source: public release by MOLIT on 10 Jan 2017; distance and time are based on a travel between Busan New Port Hinterland Complex (Ungdong District) and Jillye Junction on Namhae Expressway

4. Actual may be different from expectation

5. CI Obligations: (i) If the cash yield of FIs falls below 4.2% p.a. (the “Minimum Guarantee Cash Yield”) during the operation period, CIs are obligated to provide the CI CDS Loan to the Concessionaire, (ii) if specific conditions are met during the operating period, FIs have an option to obligate CIs complete the refinancing necessary to fully redeem FIs’ Investment Principal, (iii) if actual operating costs exceed the forecast operating costs under the Concession Agreement, CIs are obligated to either reimburse the excess cost to the Concessionaire or provide alternative operational services on a joint basis, (iv) if the termination payment received due to fault of the Concessionaire is insufficient to fully repay FIs’ equity capital and principal & interest of the subordinated loan, CIs are to provide a joint guarantee on the shortfall

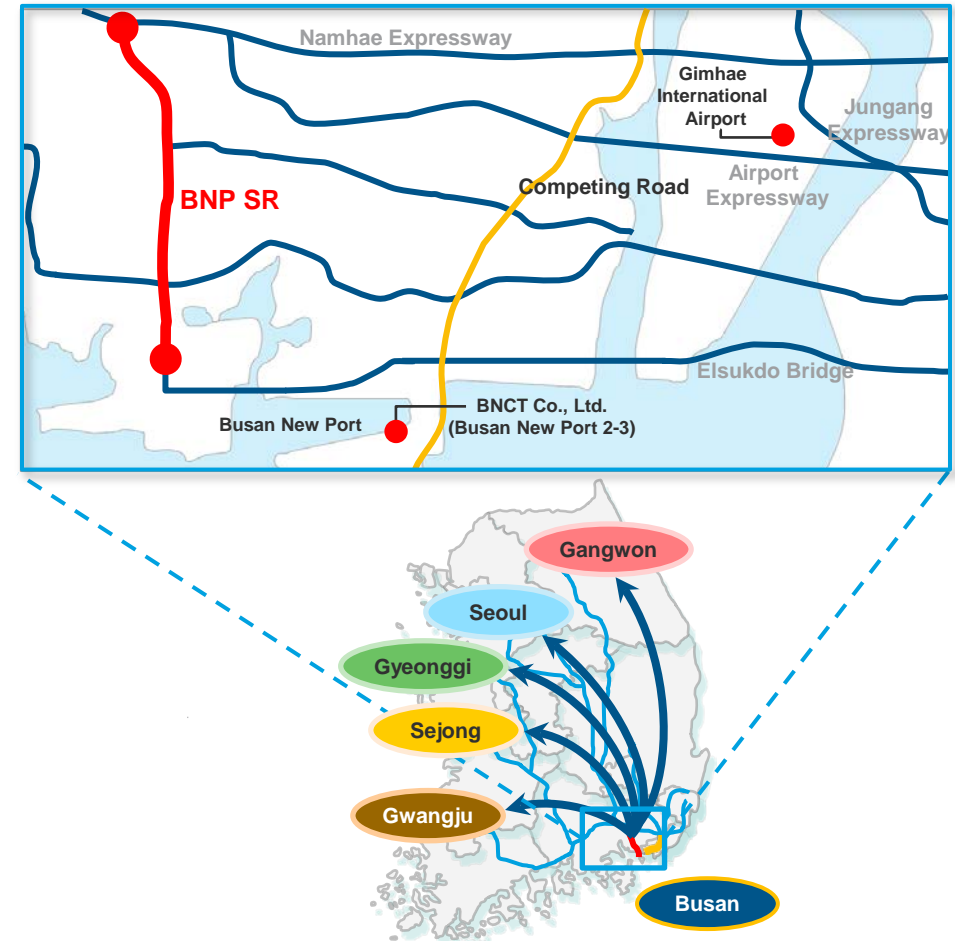


# Project Overview

## Project Overview

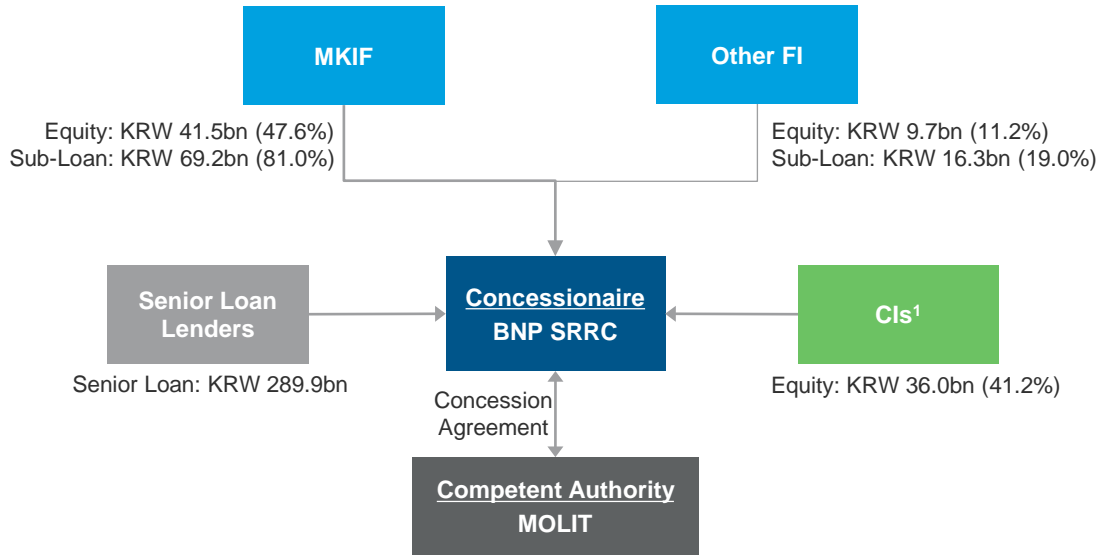
<b>Concessionaire</b>	Busan New Port the 2nd Rear Road Co., Ltd.
<b>Competent Authority</b>	Ministry of Land, Infrastructure and Transport
<b>Project Type</b>	Build-Transfer-Operate
<b>Target Asset</b>	Busan New Port the 2nd Rear Road
<b>Location</b>	Busan New Port Hinterland Complex (Changwon-si, Gyeongsangnam-do) ~ Jillye Junction on Namhae Expressway (Gimhae-si, Gyeongsangnam-do)
<b>Length</b>	15.3km (double 2-lane)
<b>Facilities</b>	16 bridges 5 tunnels
<b>Construction Period</b>	5 years 13 July 2012 ~ 12 January 2017
<b>Concession Term (Operation Period)</b>	30 years from operation commencement date 13 January 2017 ~ 12 January 2047

## Location



# Project Structure

## Project Structure



## Project Investment Summary

Equity	KRW 87.2bn
Senior Loan	KRW 289.9bn
Subordinated Loan ("Sub-Loan")	KRW 85.5bn
<b>Total Project investment</b>	<b>KRW 462.6bn<sup>2</sup></b>




## Key Financing Terms

Tranche	Size	Key Terms
Senior Loan Tranche A	KRW 250.0bn	<ul style="list-style-type: none"> <li>Interest rate: Fixed 3.1% p.a.</li> <li>Term: 23 years</li> </ul>
Senior Loan Tranche B	KRW 39.9bn	<ul style="list-style-type: none"> <li>Interest rate: 3-year, AA- unsecured corporate bond rate<sup>3</sup> + 0.85% p.a.</li> <li>Term: 23 years</li> </ul>
<b>Senior Loan</b>	<b>KRW 289.9bn</b>	
Sub-Loan	KRW 85.5bn	<ul style="list-style-type: none"> <li>Interest rate: Fixed 10% p.a.</li> <li>Term: 26 years</li> </ul>
<b>Total</b>	<b>KRW 375.4bn</b>	


1. Lotte E&C Co., Ltd. 12.2%, Doosan E&C Co., Ltd. 5.2%, Ssangyong E&C Co., Ltd. 4.7%, POSCO E&C Co., Ltd. 4.7%, Hanwha E&C Corp. 4.1%, Halla Corp. 4.1%, Dongwon Construction Industries Co., Ltd. 2.7%, DSME Construction Co., Ltd. 2.7%, Bando E&C Co., Ltd. 0.8%
2. Excludes the loans provided by CIs, as the purpose these loans is to provide contingent compensation to the FIs rather than to be used directly for the pursuit of the project
3. 2.060% on 31 Mar 2021 (KOFIA)

# Project Participants

## Major CIs

Company	Investment Form	Credit Rating <sup>1</sup>	Asset <sup>2</sup>	Revenue <sup>2</sup>	Ranking <sup>3</sup>
 <b>LOTTE E&amp;C</b>	Equity	A+	KRW 5.2tn	KRW 5.1tn	#8 EPC company in Korea
 <b>POSCO E&amp;C</b>	Equity	A+	KRW 6.8tn	KRW 7.8tn	#5 EPC company in Korea
 <b>Hanwha Engineering&amp;Construction</b>	Equity	A-	KRW 7.3tn	KRW 3.6tn	#11 EPC company in Korea

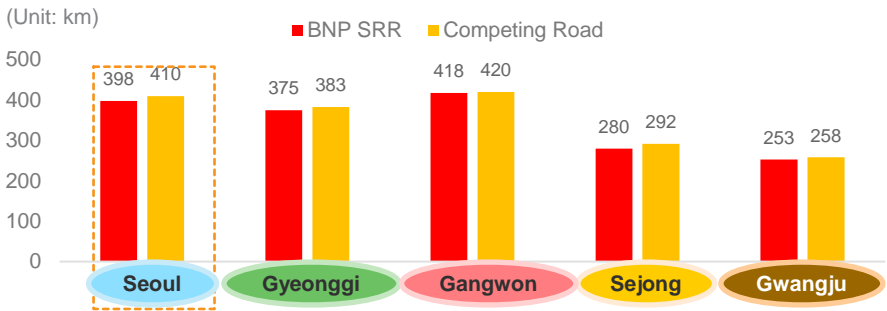
## Major FI

Company	Investment Form	Credit Rating <sup>1</sup>	Asset <sup>2</sup>	Revenue <sup>2</sup>	Ranking
 <b>KB Kookmin Bank</b>	Equity Senior Loan Sub-Loan	AAA	KRW 438.4tn	KRW 11.9tn	#1 bank in Korea (based on asset size <sup>2</sup> )

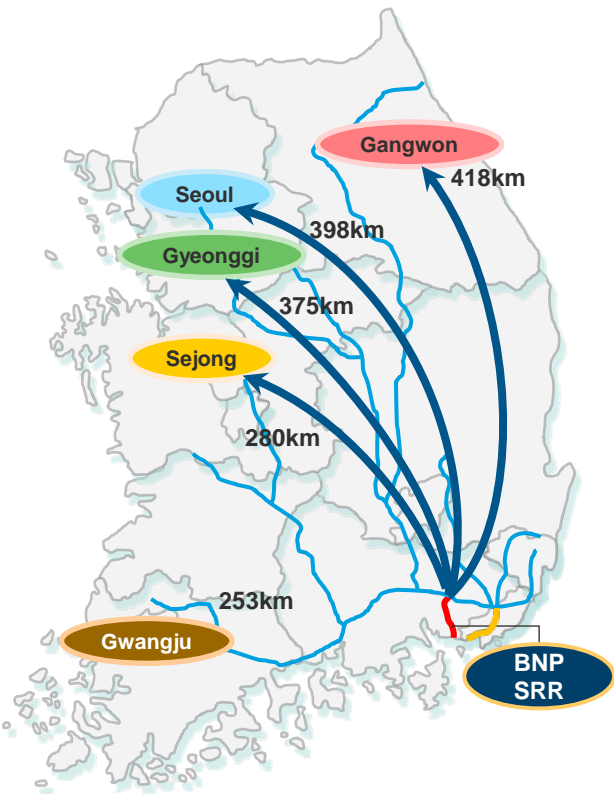
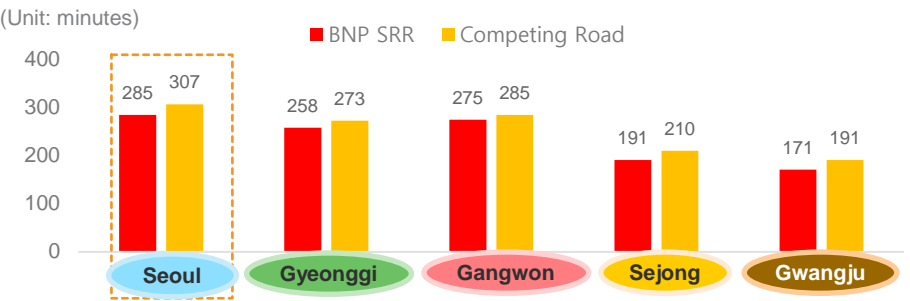
1. Latest credit rating published by Korea Ratings Corporation, Korea Investor Services Inc. and/or NICE Investors Service Co. on bonds issued by respective company
2. Asset and revenue from 20 consolidated financial statements of respective company; the revenue of Kookmin Bank is the sum of interest income and commission income
3. 2020 EPC company ranking published by Construction Association of Korea

# Competitive Analysis

## Travel Distance<sup>1</sup>



## Travel Time<sup>1</sup>

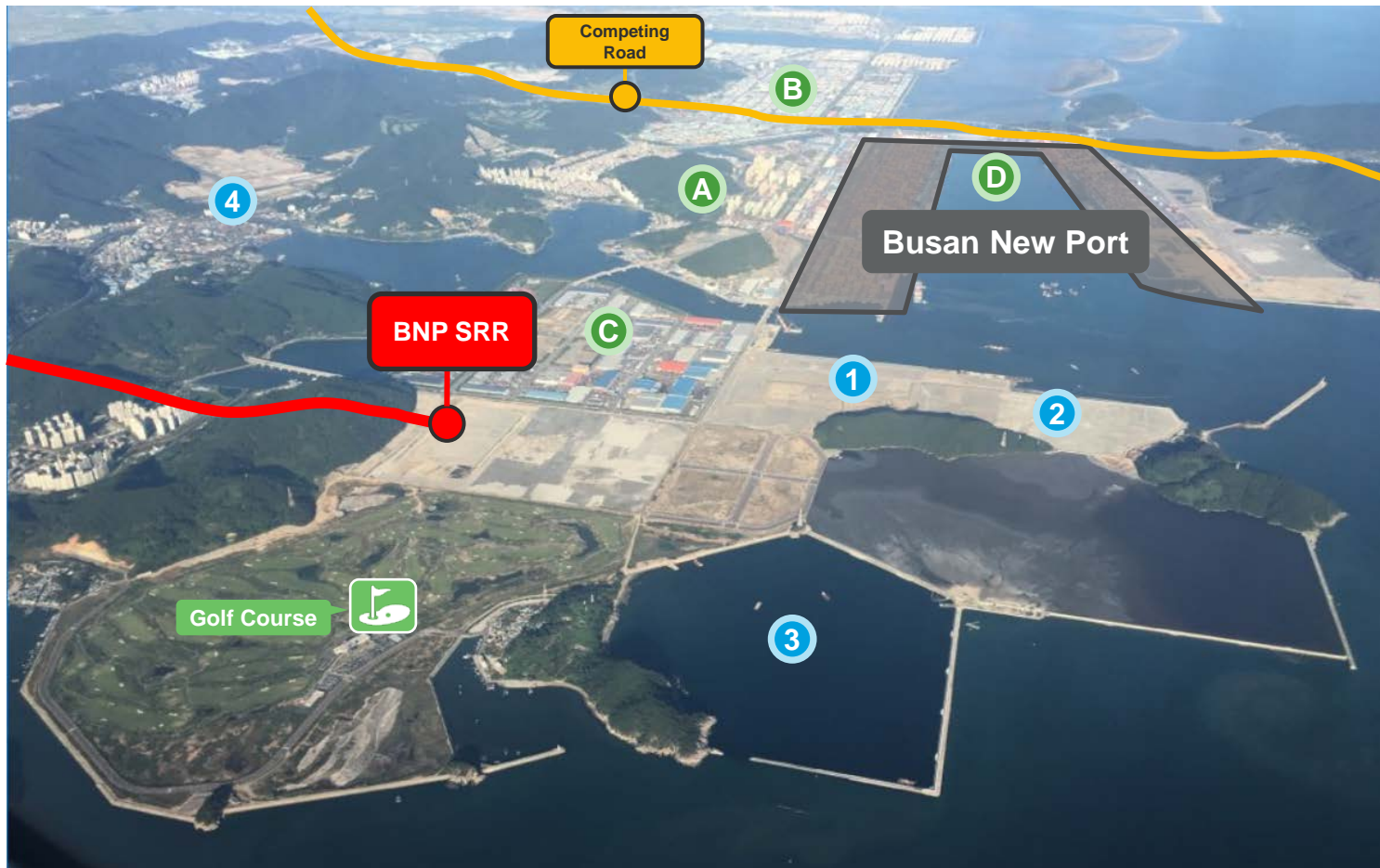


BNP SRR offers a competitive transportation means in terms of travel distance and time to users traveling to/from Busan New Port to major cities of Korea

1. The results of traffic due diligence studies arranged by the Concessionaire and MKIF



# Traffic Demand Overview



## Current Traffic Demand Bases

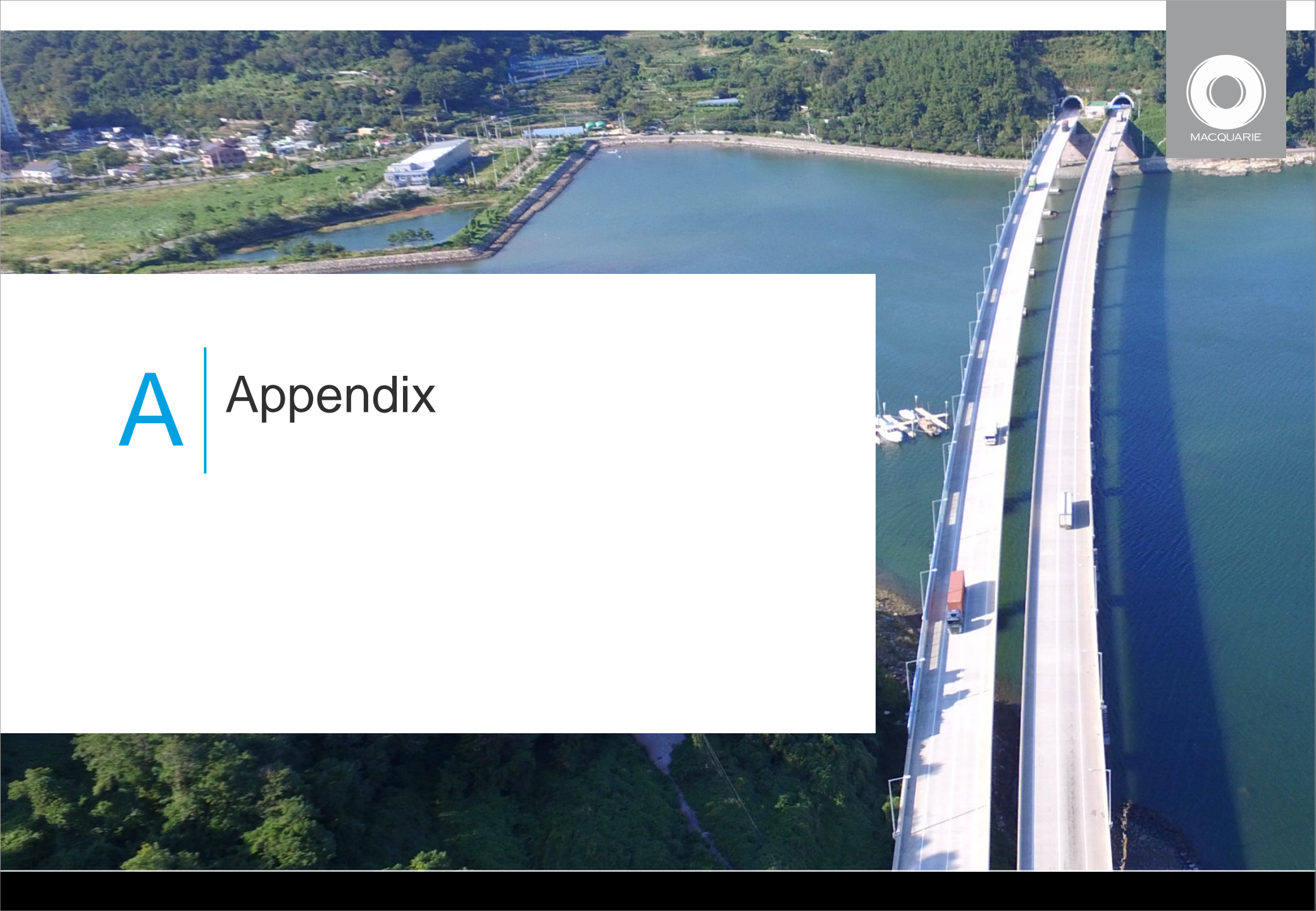
- A** Busan New Port Hinterland Complex Section 2
- B** Adjacent residential & commercial complexes
- C** Busan New Port Hinterland Complex Section 1
- D** Busan New Port 1-1 ~ 2-3

## Prospective Traffic Demand Bases<sup>1</sup>

- 1** Busan New Port 2-5
- 2** Busan New Port 2-6
- 3** Busan Second New Port
- 4** Dudong Industrial Complex

<sup>1</sup>. Source: Development Plan for Busan-Jinhae Free Economic Zone announced by MOLIT on 26 Dec 2017; public releases distributed by the Ministry of Maritime Affairs and Fisheries on 3 May 2019 and 25 Jun 2019

# A | Appendix



# Management Fee



(As at 31 March 2021)

## Management Fee

- 85bps p.a. of (Net Investment Value (\*NIV) + Commitment) of MKIF
- Commitment means all amounts that MKIF has firmly committed for future investment; commitment of KRW 67.7 billion outstanding on 31 March 2021
- Management Fee is calculated and paid on a quarterly basis

### \* NIV for any quarter equals:

- The average market capitalisation<sup>1</sup> of MKIF over all trading days in the quarter
- NIV is adjusted down by MKIF net debt (debt minus cash & cash equivalents) when net debt is a negative figure

1. Based on volume weighted average trading price for the quarter

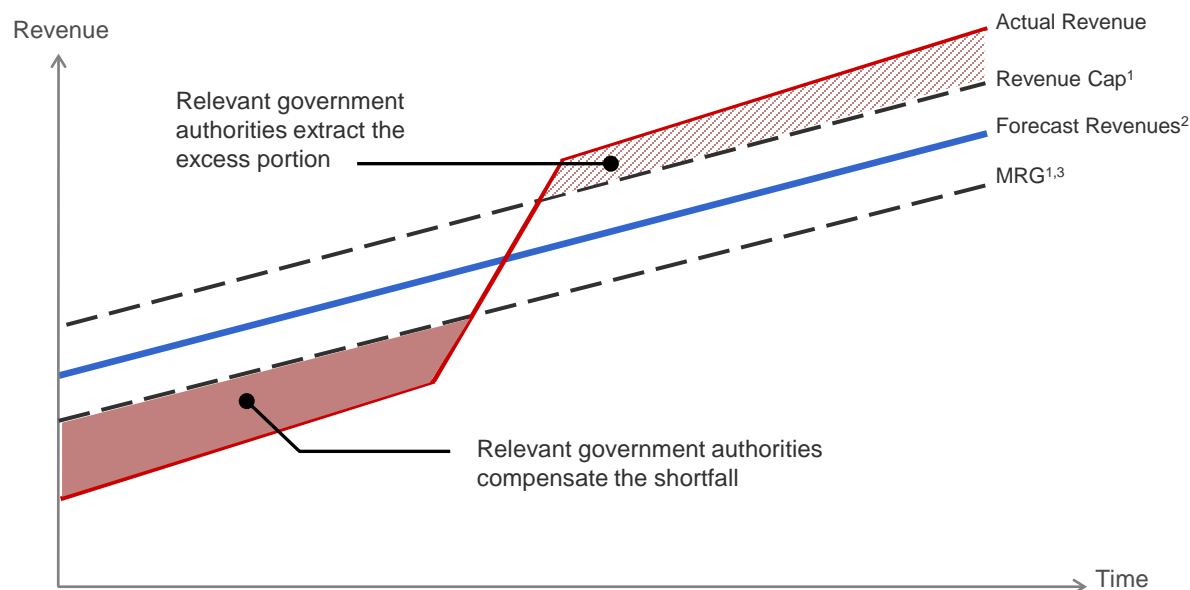
# Minimum Revenue Guarantee



(As at 31 March 2021)

## Minimum Revenue Guarantee (“MRG”) Scheme

(Conceptual Diagram)



- Inflation-linked revenue support
- MRG line tracking the forecast revenue line (typically 70~90% below forecast revenue)
- Current sovereign ratings of Korea:
  - S&P: AA (Stable)
  - Moody's: Aa2 (Stable)

1. MRG and revenue caps vary across assets  
2. Forecast revenues set out in the Concession Agreement  
3. In two MRG assets invested by MKIF, no revenue guarantee applies if actual revenue falls below 50% of the toll revenue forecast



# Performance of the Project Companies in Operation<sup>1</sup>

(Unit: KRW mil)

Project Company	2020						2019					
	Adjusted operating revenue <sup>2</sup>	OPEX	Adjusted EBITDA <sup>2</sup>	Net debt <sup>3</sup>	Adjusted EBITDA margin	Net debt to adjusted EBITDA	Adjusted operating revenue <sup>2</sup>	OPEX	Adjusted EBITDA <sup>2</sup>	Net debt <sup>3</sup>	Adjusted EBITDA margin	Net debt to adjusted EBITDA
Baekyang Tunnel Ltd.	27,036	(4,816)	22,220	54,973	82%	2.5x	26,669	(4,411)	22,258	68,700	83%	3.1x
Kwangju Beltway Investment Co., Ltd.	42,858	(9,097)	33,761	(6,604)	79%	(0.2x)	34,889	(7,865)	27,024	(5,691)	77%	(0.2x)
New Airport Hiway Co., Ltd.	275,118	(33,719)	241,399	(7,535)	88%	(0.0x)	259,892	(32,731)	227,161	(60,810)	87%	(0.3x)
Soojongsan Investment Co., Ltd.	24,872	(4,926)	19,945	(12,911)	80%	(0.6x)	24,806	(4,535)	20,272	(16,354)	82%	(0.8x)
Cheonan Nonsan Expressway Co., Ltd.	259,542	(34,163)	225,379	(397,312)	87%	(1.8x)	247,819	(36,267)	211,552	(253,531)	85%	(1.2x)
Woomyunsan Infraway Co., Ltd. <sup>4</sup>	27,212	(5,063)	22,148	(12,725)	81%	(0.6x)	28,158	(4,927)	23,232	(10,796)	83%	(0.5x)
Kwangju Ring Road Company Ltd.	23,462	(7,187)	16,276	(6,354)	69%	(0.4x)	22,912	(8,212)	14,700	(2,022)	64%	(0.1x)
MCB Co., Ltd. <sup>5</sup>	33,855	(5,810)	28,045	(3,755)	83%	(0.1x)	34,560	(6,310)	28,249	(3,020)	82%	(0.1x)
Gyeongsu Highway Co., Ltd.	62,187	(16,585)	45,602	328,770	73%	7.2x	63,648	(16,273)	47,375	344,192	74%	7.3x
Seoul-Chuncheon Highway Co., Ltd.	162,001	(27,462)	134,540	348,843	83%	2.6x	139,605	(27,612)	111,994	395,694	80%	3.5x
Incheon Bridge Co., Ltd.	98,850	(17,841)	81,009	305,124	82%	3.8x	113,559	(24,548)	89,011	339,842	78%	3.8x
Busan New Port the 2nd Rear Road Co., Ltd.	12,841	(7,779)	5,062	266,310	39%	52.6x	12,183	(6,260)	5,922	265,098	49%	44.8x
BNCT Co., Ltd.	122,167	(61,049)	61,118	568,942	50%	9.3x	113,113	(60,203)	52,910	543,351	47%	10.3x
<b>Proportionate average<sup>6</sup></b>	<b>526,809</b>	<b>(103,788)</b>	<b>423,021</b>	<b>475,121</b>	<b>80%</b>	<b>1.1x</b>	<b>511,611</b>	<b>(107,061)</b>	<b>404,550</b>	<b>592,351</b>	<b>79%</b>	<b>1.5x</b>

1. Based on audited financial statements

2. Revenue compensation and other compensations from the relevant government authority are reflected on accrued basis, not on cash basis (therefore is different from revenue stated in audit report)

3. Net debt = external debt – cash & cash equivalents

4. For calculation of net debt, Shareholder Debt A backed by the relevant authority and cash balance of Surplus Income Account (which is overseen by the relevant authority) were excluded

5. For calculation of net debt, the senior loan backed by the relevant authority was excluded

6. On a proportionate average basis based on MKIF's equity interest in each project company

# MKIF Investment Details<sup>1</sup>



(As at 31 March 2021)

(Units: KRW bn, %)

Project Company	Asset Abbrev.	Equity	Ownership (%)	Subordinated Debt	Senior Debt	Total
Baekyang Tunnel Ltd.	BYTL	1.2	100.0	-	1.1	2.3
Kwangju Beltway Investment Co., Ltd.	KBICL	33.1	100.0	85.2 <sup>2</sup>	74.3	192.6
New Airport Hiway Co., Ltd.	NAHC	23.6	24.1	51.7	-	75.3
Soojungsan Investment Co., Ltd.	SICL	47.1	100.0	-	-	47.1
Cheonan Nonsan Expressway Co., Ltd.	CNEC	87.8	60.0	182.3	-	270.1
Woomyunsan Infraway Co., Ltd.	WIC	5.3	36.0	-	15.0	20.3
Kwangju Ring Road Company Ltd.	KRRC	28.9	75.0	-	-	28.9
MCB Co. Ltd.	MCB	33.8	70.0	79.0	-	112.8
Gyeongso Highway Co., Ltd.	YSE	51.5	43.75	99.6	-	151.1
Seoul-Chuncheon Highway Co., Ltd.	SCH	0.6	15.83	161.8	-	162.4
Incheon Bridge Co. Ltd.	IBC	54.4	64.05	241.0	-	295.4
Busan New Port the 2nd Rear Road Co., Ltd.	B2RR	41.5	47.56	69.2	-	110.7
BNCT Co., Ltd.	BNP 2-3	66.4	30.0	193.0	-	259.4
Dongbuk LRT Co., Ltd.	DBR	35.4	30.0	47.3	-	82.7
<b>Total</b>		<b>510.6</b>		<b>1,210.1</b>	<b>90.4</b>	<b>1,811.1</b>
<b>Percentage (%)</b>		<b>28.2%</b>		<b>66.8%</b>	<b>5.0%</b>	<b>100%</b>

1. Based on MKIF investment amount plus investment commitment of KRW 82.7bn in Dongbuk LRT Co., Ltd. (KRW 15.0bn has been deployed)

2. Includes KRW 3.2bn working capital facility and KRW 50bn new shareholder loan

# Government Support Payment Provisions

(As at 31 March 2021)

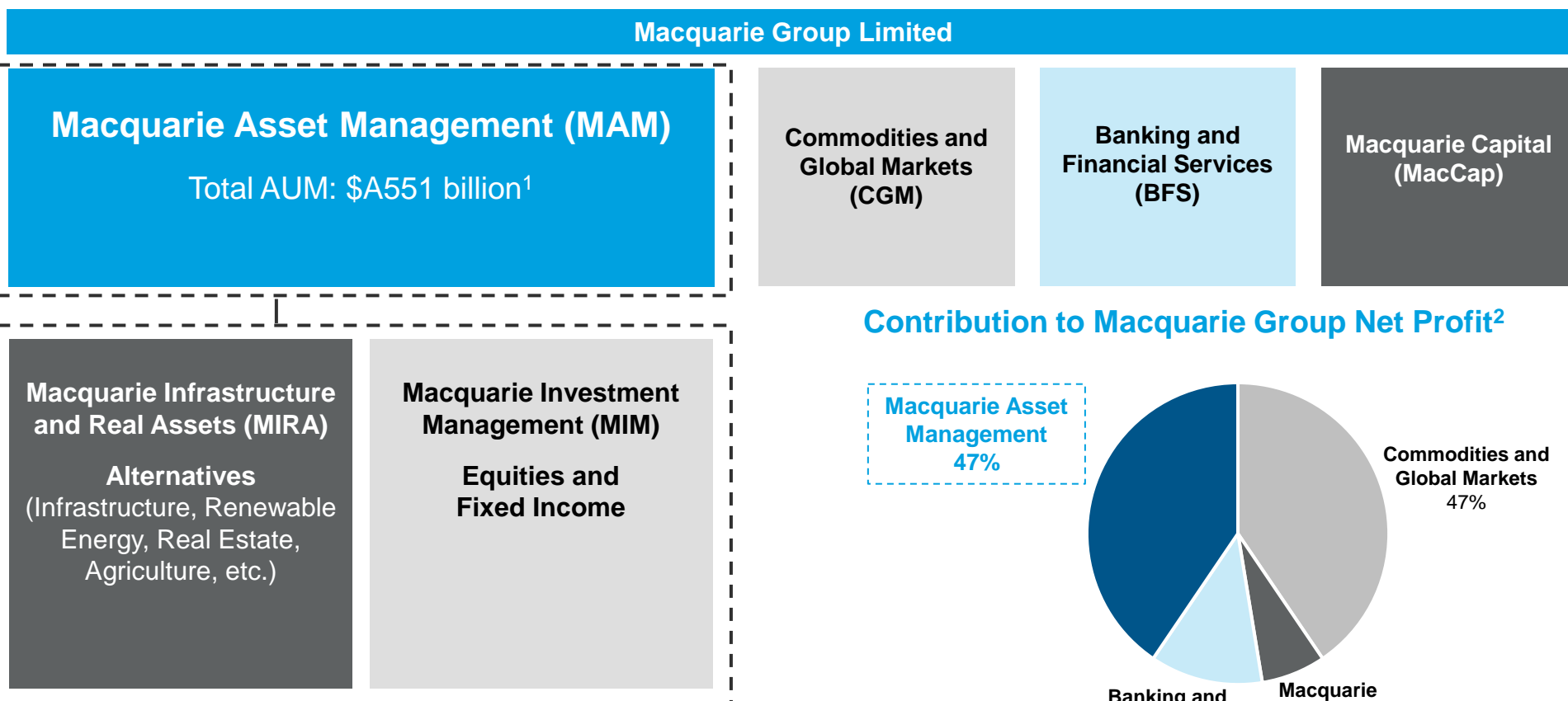
Asset	Relevant Authority	Concession Term	Concession Term Remaining	Support Payment Duration	Support Payment Duration Remaining	Revenue Guarantee Threshold <sup>1</sup>	Revenue Cap Threshold <sup>1,2</sup>	Remarks
Baekyang Tunnel	Busan Metropolitan City	25.0	3.8	25.0	3.8	90%	110%	
Gwangju 2nd Beltway, Section 1	Gwangju Metropolitan City	28.0	7.8	28.0	7.8	Investment cost compensation		Target cash flow of the concessionaire guaranteed
Incheon International Airport Expressway	MOLIT <sup>3</sup>	30.0	9.8	20.0	-	80%	110%	Partial revenue sharing in excess of 80% to 110% level
Soojungsan Tunnel	Busan Metropolitan City	25.0	6.1	25.0	6.1	90%	110%	For toll revenue below 90%, Busan Metropolitan City is obligated to compensate 91.5% of the shortfall amount
Cheonan-Nonsan Expressway	MOLIT	30.0	11.7	20.0	1.7	82%	110%	Partial revenue sharing in excess of 82% to 110% level
Woomyunsan Tunnel	Seoul Metropolitan City	30.0	12.8		N/A			As part of the capital restructuring transaction completed in Jan 2016, MRG provision was removed
Gwangju 2nd Beltway, Section 3-1	Gwangju Metropolitan City	30.0	13.7	30.0	13.7	90%	110%	
Machang Bridge	GSND <sup>3</sup>	30.0	17.3	30.0	17.3	75.78%	100%	Revenue guarantee applies to MCB account <sup>4</sup> 50:50 revenue sharing with relevant authority in excess of expected revenue at 100% level
Yongin-Seoul Expressway <sup>5</sup>	MOLIT <sup>3</sup>	30.0	18.3	10.0	-	70%	130%	
Seoul-Chuncheon Highway <sup>5</sup>	MOLIT <sup>3</sup>	30.0	18.4	15.0	3.4	60%	140%	
Incheon Grand Bridge	MOLIT <sup>3</sup>	30.0	18.6	15.0	3.6	80%	120%	
BNP the 2nd Rear Road		30.0	25.8					
Busan New Port Phase 2-3	MOF <sup>3</sup>	28.3	19.0		N/A			
Dongbuk Light Rail Transit	Seoul Metropolitan City	30.0	30.0					Construction: 1H 2021~1H 2026 expected Operation: 30 years after construction
Weighted average <sup>6</sup>		29.4	16.5	14.5	3.4			

1. % of annual concession agreement projected revenue
2. Relevant government authorities are entitled to receive the portion exceeding the threshold
3. MOLIT (Ministry of Land, Infrastructure and Transport) / GSND (Gyeongsang Namdo Government) / MOF (Ministry of Oceans and Fisheries)
4. Refer to the disclosures on MKIF website ([www.mkif.com](http://www.mkif.com)) on 2 January 2017 for detailed information on MCB restructuring
5. No revenue guarantee applies if actual revenue is below 50% of the annual concession agreement projected revenue
6. Weighted average based on MKIF investment amount

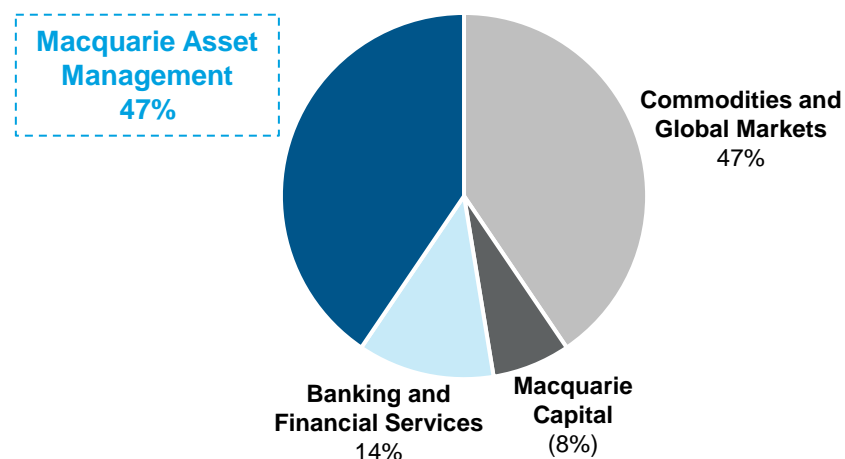
# Macquarie Group and MIRA

MIRA is a standalone business within MAM and has a 26-year track record in global infrastructure investment and management

MKAM is an entity within MIRA that has focused on investment and management of landmark infrastructure assets in Korea since its establishment in 2002



## Contribution to Macquarie Group Net Profit<sup>2</sup>



1. As at 31 Dec 2020

2. Based on 1H 2021 (1 Apr 2020 – 30 Sep 2020) net profit



# Notice on Environmental, Social and Governance



MKAM, as an affiliate of the Macquarie Group (Macquarie) and in a capacity as a manager and corporate director of MKIF, has adopted ESG framework that Macquarie Infrastructure and Real Assets (MIRA) applies to its fund management activities to the extent relevant and possible. MIRA aims to improve the sustainability performance of portfolio companies by addressing material ESG issues and opportunities to enhance long-term value for our investors. MIRA addresses a broad range of ESG risks and opportunities throughout the entire investment lifecycle from screening and due diligence through to ongoing asset management and exit. MIRA also regularly collect a range of ESG data from portfolio companies, allowing us to track and support improvement of their ESG performance. ESG information is communicated to shareholders at least annually in fund reports and fund presentations. MKAM is committed to continuously improving our ESG performance and look forward to continuing to share our progress with investors.

## **Macquarie Asset Management (MAM) climate change commitment**

As long-term investors in companies that underpin economies and communities, MIRA take our responsibility to address climate change risks seriously. As stewards of these vital businesses, MIRA have a duty to ensure they play their part in global efforts to address our warming planet.

Macquarie Group is supporting the transition to a low carbon economy by progressing a range of initiatives to mitigate climate change and adapt to its effects. On the fifth anniversary of the Paris Agreement, Macquarie Asset Management (MAM), which MIRA belongs to as one of its business group, announced a commitment to manage its global portfolio in line with net zero emissions by 2040.

The public commitment articulated our goal to implement Paris-aligned or net zero business plans at each of our fund portfolio companies by the end of 2022. This commitment has several steps that are already underway:

- measure greenhouse gas emissions of all portfolio companies;
- identify pathways to reduce emissions;
- develop business plans that contribute to a net zero economy by 2040, or sooner;
- for new investments, target completion of these steps within 24 months of acquisition;
- work with portfolio companies with the aim that they will be meeting their Paris-aligned/net zero emissions reduction pathways by 2030; and
- report on our progress annually.

This detailed commitment complements extensive activity across the broader Macquarie Group in developing and managing renewable energy projects, helping clients on their decarbonisation pathways, and adapting infrastructure for climate resilience.

MIRA look forward to working with our investors, portfolio companies, regulators and other stakeholders to achieve these transformational objectives for the benefit of all. MIRA remain grateful for these partnerships and MIRA welcome continued engagement as MIRA seek to play our part in building a more sustainable future for everyone.

Please visit [MIRAFunds.com](https://www.mirafunds.com) for more detail regarding our climate change commitment as well as our approach to ESG, sustainability and responsible investment.