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22 November 2023

MACQUARIE KOREA INFRASTRUCTURE FUND
MKIF TO INVEST IN SEOUL EAST UNDERGROUND
EXPRESSWAY PRIVATE INVESTMENT PROJECT

On 22 November 2023, Macquarie Korea Infrastructure Fund (“MKIF”) committed to invest KRW 214.8 billion into Seoul East Underground Expressway Private Investment Project (the “SEUE Private Investment Project”) (the “Investment”). To consummate the Investment, MKIF executed the (i) shareholders’ agreement with the other shareholders¹ of East Seoul Underpass Co., Ltd., the concessionaire (the “Concessionaire”), (ii) loan agreement with the Concessionaire and (iii) share purchase agreement with non-financial shareholders.

The SEUE Private Investment Project is a build-transfer-operate (“BTO”) type concession granted by Seoul Metropolitan City (“SMC”) to the Concessionaire. In accordance with the BTO scheme, (i) the Concessionaire constructs the target asset; (ii) the ownership of the asset is transferred to SMC upon construction completion; (iii) and the Concessionaire operates the asset for 30 years (December 2028 ~ November 2058 expected²) pursuant to the concession agreement signed with SMC on 27 March 2023 to recoup original investment and earn investment return.

SMC is pursuing a two-phase project to transform the existing aboveground Seoul East Expressway (the “Existing SEE”), which connects Jangji-dong of Songpa-gu and Sangchon IC in Uijeongbu-si, into underground expressways (the “Full SEUE Project”). The objectives of the Full SEUE Project are to (i) improve traffic flow in heavily congested sections, (ii) expand user base by making a direct connection to the Gangnam area, and (iii) repurpose certain parts of the Existing SEE to build an environment-friendly space.

The first phase of the Full SEUE Project encompasses constructing a 12.2km, dual two-lane underground expressway connecting Seokgwon-dong of Seongbuk-gu and Daechi-dong of Gangnam-gu by 2028². Of the first phase, a 10.1km section connecting Seokgwon-dong of Seongbuk-gu and Samseong-dong of Ganganam-gu is the target asset³ (the “Target Asset”) for the SEUE Private Investment Project participated by MKIF. The Target Asset will be used exclusively by small vehicles and have interchanges in selective spots, making it a competitive means of transportation⁴ for drivers travelling long-term distance between northeastern and southeastern parts of Seoul.

After the first phase is completed, SMC plans to carry out the second phase from 2029 to 2034. The second phase encompasses (i) constructing a 11.5km underpass targeted to offer short distance connection to/from various regions between Wolgye-dong of Nowon-gu and Songjeong-dong of

1. Financial institutions including KB Kookmin Bank and non-financial institutions including Daewoo Engineering & Construction Co., Ltd. and Hyundai Engineering & Construction Co., Ltd.

2. Expectation / plan announced by SMC; actual may vary depending on construction period, etc.

3. The remaining 2.1km section connecting Samseong-dong to Daechi-dong of Gangnam-gu is a public investment project

4. Please refer to the public release by SMC dated 27 Mar 2023

Seongdong-gu and (ii) developing a riverfront space around Jungnang River while gradually shutting down the corresponding parts of the Existing SEE. Upon completion, the Full SEUE Project is expected to reduce travel time by efficiently allocating long distance traffic to the Target Asset and short distance traffic to the second phase underpass. Moreover, these two roads could become an essential transportation infrastructure⁴ in the northeastern part of Seoul if they are connected to other adjacent arterial roads in the future, providing accessibility to a greater number of people.

MKIF will secure KRW 214.8 billion required for the Investment by utilizing its credit facility and issuing short-term bonds⁵. MKIF will acquire 27.6% of equity shareholding (KRW 35.5 billion), 40% of subordinated loan (KRW 94.8 billion) and 40% of conditional junior subordinated loan (up to KRW 20 billion) of the Concessionaire during construction period. Furthermore, MKIF will invest KRW 64.5 billion to acquire additional 12.4% equity shareholding in the Concessionaire after operation commences. Upon financial closing, MKIF will have 40% of equity shareholding (KRW ~100 billion), 40% of subordinated loan (KRW 94.8 billion) and 40% of conditional junior subordinated loan (up to KRW 20 billion) of the Concessionaire.

Project Summary (Post financial closing of the Investment)

	Details	Note
Equity shareholding	<u>Financial investors ("FIs"): 100%</u> - MKIF: 40% - Other FIs: 60%	<ul style="list-style-type: none"> MKIF to invest KRW 100bn
Senior loan	KRW 700bn Comprised of tranches A, B, and C Detailed terms are stated in the supplementary material attached to this disclosure	<ul style="list-style-type: none"> Not invested by MKIF
Credit facility (conditional)	Up to KRW 50bn Detailed terms are stated in the supplementary material attached to this disclosure	<ul style="list-style-type: none"> Not invested by MKIF
Subordinated loan	KRW 237bn - Interest rate: 10% (construction) / 12% (operation) - Tenor: 34.25 years	<ul style="list-style-type: none"> MKIF to invest KRW 94.8bn
Junior subordinated loan (conditional)	Up to KRW 50bn - Terms are same as the subordinated loan	<ul style="list-style-type: none"> MKIF committed up to KRW 20bn Conditional loan, provided only if the cash yield of FIs fall below 6.5% p.a.
Concession term	30 years from the operation commencement date	<ul style="list-style-type: none"> Dec 2028 ~ Nov 2058 expected
Toll fare (2015 real basis)	KRW 2,500 per vehicle	<ul style="list-style-type: none"> Small vehicle toll fare for entire road
Obligation of SMC	Termination payment provided upon early termination of the concession	<ul style="list-style-type: none"> Pursuant to the concession agreement

5. MKIF has a remaining borrowing capacity of KRW 417.2bn on 30 Sep 2023

MKIF Portfolio⁶

Asset Class (no. of assets)	Pre-Investment	Post-Investment
Toll Road (13 → 14)	KRW 1,561.7bn (63%)	KRW 1,776.5bn (66%)
Port (1)	KRW 259.4bn (10%)	KRW 259.4bn (10%)
Rail (1)	KRW 82.7bn (3%)	KRW 82.7bn (3%)
City Gas (3)	KRW 592.8bn (24%)	KRW 592.8bn (22%)
Total (18 → 19)	KRW 2,496.6bn (100%)	KRW 2,711.4bn (100%)
(*) Weighted average remaining life of the concession assets	14.9 years	16.4 years (+1.5 years)

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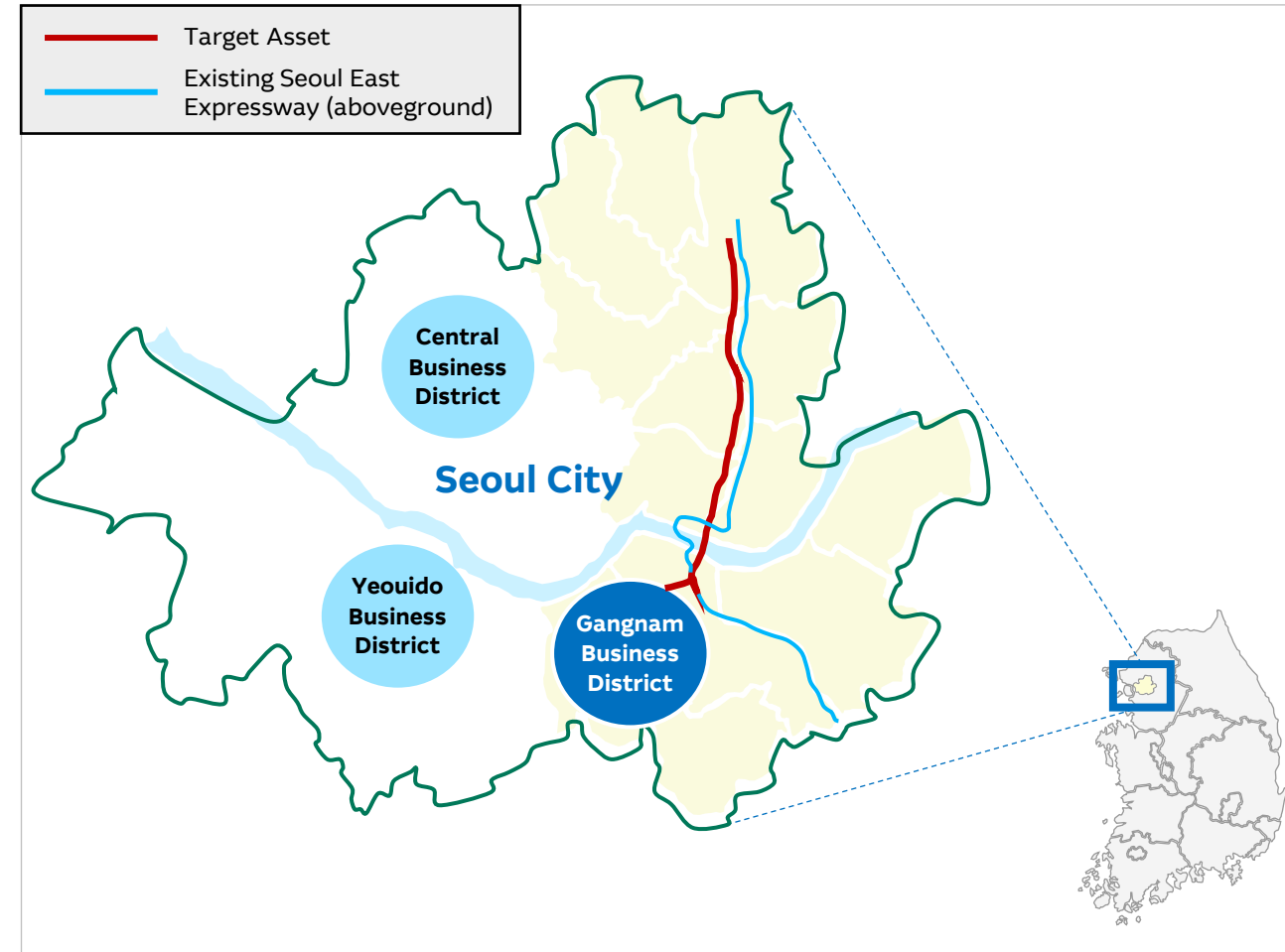
6. Based on investment amount on 30 Sep 2023; assumes (i) full deployment of all investments committed by MKIF and (ii) completion of construction of SEUE in accordance with the expected / planned timeline

Project Overview

Project Overview

Concessionaire	East Seoul Underpass Co., Ltd. ("ESUC")
Competent Authority	Seoul Metropolitan City
Project Type	Build-Transfer-Operate
Target Asset	Private investment section of Seoul East Underground Expressway
Location	Seokgwan-dong, Seongbuk-gu ~ Samseong-dong, Gangnam-gu (Part of Seoul East Underground Expressway Project, Stage 1 ¹)
Length	10.1km (double 2-lane)
Facilities	Underground expressway - 4 entry / exit interchanges
Construction Period	60 months from Dec 2023 (expected ²)
Concession Term (Operation Period)	30 years from operation commencement date Dec 2028 - Nov 2058 (expected ²)
Toll Fare	KRW 2,500 per vehicle ³

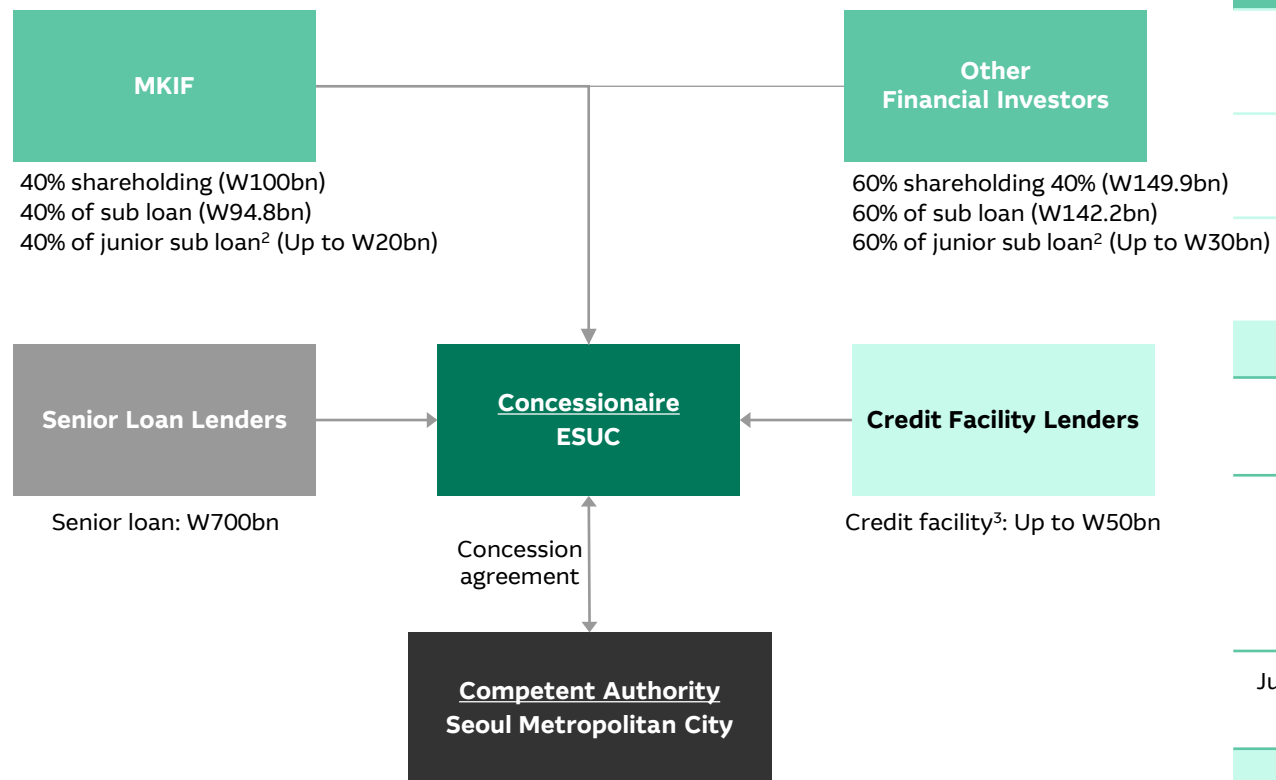
Location⁴



1. Stage 1 encompasses a 12.2km underground road from Seokgwan-dong, Seongbuk-gu to Daechi-dong, Gangnam-gu
2. Based on the public release by Seoul Metropolitan City on 27 Mar 2023; may vary from actual depending on construction progress, etc.
3. Real basis as of 2015; toll fare for small vehicles for using the entire road
4. Map demonstrating approximate location of key assets and districts for information purpose

Transaction Structure

Transaction Structure¹



Key Financing Terms

Tranche	Size	Key Terms
Senior Loan Tranche A	W210bn	<ul style="list-style-type: none"> Interest rate: 4.9% Tenor: 22.25 years
Senior Loan Tranche B	W94bn	<ul style="list-style-type: none"> Interest rate: 91CD⁴ + 1.5% Tenor: 22.25 years
Senior Loan Tranche C	W396bn	<ul style="list-style-type: none"> Interest rate: 91CD⁴ + 1.7% Tenor: 22.25 years
Senior Loan	W700bn	
Credit Facility (Conditional ³)	Up to W50bn	<ul style="list-style-type: none"> Interest rate: 91CD⁴ + 3.0%
Subordinated Loan	W237bn	<ul style="list-style-type: none"> Interest rate: 10% (during construction) 12% (during operation) Tenor: 34.25 years
Junior Subordinated Loan (Conditional ²)	Up to W50bn	<ul style="list-style-type: none"> Same as subordinated loan
Total	- W937bn (senior & sub loans) - Up to W100bn (conditional credit facility & junior sub loan)	

- Structure after all commitments have been fulfilled; MKIF plans to acquire 27.6% of equity (W35.5bn), 40% of sub loan and 40% of junior sub loan during construction stage, and use W64.5bn to acquire 12.4% of equity after operation commences
- Conditional junior sub loan which is drawn when the annualized cash yield for the financial investors is below 6.5%
- Conditional credit facility which is drawn when there is insufficient cash to service senior loan
- 3.83% on 21 Nov 2023