



31 January 2024

MACQUARIE KOREA INFRASTRUCTURE FUND
REPORTS 2023 FULL YEAR FINANCIAL RESULTS AND ASSET PERFORMANCE

Macquarie Korea Infrastructure Fund (“MKIF”) today announced its financial results and asset performance for the twelve months ended 31 December 2023 (the “Period”).

Highlights for the Period include:

- MKIF Board of Directors today approved a total distribution of KRW 170 billion (KRW 390 per share) for the second half of 2023 in line with the distribution guidance announced on 14 December 2023. The distribution for the second half of 2023 will be paid in cash on 29 February 2024 to the shareholders registered on MKIF shareholders’ registry on the record date of 31 December 2023.
- On a non-consolidated basis, MKIF recorded revenue of KRW 396.1 billion and net income of KRW 326.2 billion for the Period. Revenue and net income increased by 5.2% and 3.5% respectively compared with the previous corresponding period (“pcp”). Revenue and net income increased due to higher interest income.
- On a weighted average basis¹, 13 toll road assets delivered traffic volume and revenue growths of 9.3% and 8.3% respectively for the Period over pcp. Traffic volume improved due to the increased number of drivers using toll roads to reach the airport and participate in outdoor activities following the easing of COVID-19 social distancing measures.
- Key operational highlights of Busan New Port Phase 2-3 (“BNP 2-3”) during the Period are summarized below.
 - BNP 2-3 handled 2.72 million TEUs, an increase of 1.1% over pcp.
 - Revenue decreased by 4.5% over pcp to KRW 159.6 billion.
 - EBITDA decreased by 9.1% over pcp to KRW 76.9 billion, recording an EBITDA margin of 48.2%.
 - Revenue and EBITDA fell despite the increase in volume because the ancillary revenue, which includes container refrigeration and storage services, declined.
- Key operational highlights of Haeyang Energy Co., Ltd. (“HY”), Sorabol City Gas Co., Ltd. (“SRB”) and CNCITY Energy Co., Ltd. (“CNCITY”) are summarized below.

The sales volume of HY, SRB, and CNCITY declined due to higher average temperature over pcp and slowdown in the economy.

 - HY
 - Sales volume decreased by 7.0% to 757 million m³.
 - Revenue decreased by 2.5% over pcp to KRW 724.9 billion.
 - EBITDA declined by 6.9% to KRW 51.1 billion.

1. On a weighted average basis based on revenue size and MKIF’s ownership stake in each project company

- SRB
 - Sales volume decreased by 5.5% to 200 million m³.
 - Revenue decreased by 4.3% to KRW 198.2 billion.
 - EBITDA declined by 12.0% to KRW 14.0 billion. EBITDA decline % is greater than sales volume decrease % because of one-off increase in EBITDA in 2022 due to an adjustment in accounting treatment (in 2022, sales volume and EBITDA were up 4.7% and 21.2% respectively over pcp).
- CNCITY
 - Sales volume decreased by 10.5% to 662 million m³.
 - Revenue decreased by 4.5% to KRW 670.7 billion.
 - EBITDA declined by 8.9% to KRW 40.6 billion.
- On 31 December 2023, the financial position of MKIF is as follows:
 - Proportionately consolidated cash balance² of KRW 418.9 billion.
 - Continued repayment of project company-level debt; the external debt³ weighted average maturity is 6.9 years⁴.
 - Proportionately consolidated gearing ratio⁵ of 22.4%.
 - MKIF domestic issuer credit rating remains unchanged at AA0⁶.

2. Proportionately consolidated MKIF cash and cash equivalents (inclusive of MKIF cash and cash equivalents of KRW 23.5bn)

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. Average remaining maturity of external debt of the underlying project companies based on MKIF equity ownership

5. Proportionately consolidated MKIF net debt / (proportionately consolidated MKIF net debt + average MKIF market capitalization for the previous 3 months)

6. Issuer credit rating by NICE Investors Service on 31 March 2023

Major activities related to MKIF and its assets for the Period include:

- On 2 June 2023, MKIF signed (i) the share purchase agreement with the existing shareholders of CNCITY Energy Co., Ltd. ("CNCITY") to purchase 957,437 shares of CNCITY and (ii) the share subscription agreement with CNCITY to acquire 1,250,000 new shares to be issued by CNCITY (the "Acquisition").

Established in 1985, CNCITY is a utility / energy company with two main businesses – city gas business and heat & electricity business. CNCITY is the exclusive retail distributor of city gas to users in Daejeon City and Gyeryong City, and is also the provider of heat, electricity and steam generated from various energy facilities to specific target clients. CNCITY's 2022 consolidated basis⁷ total assets and revenue are KRW 734.9 billion and KRW 897.2 billion, respectively, and the city gas business and heat & electricity business each contributed 87% and 13% of the revenue, respectively.

On 25 July 2023, MKIF completed the financial closing of the Acquisition, and as a result owns 48% of equity stake in CNCITY. MKIF utilized its debt to secure KRW 186.7 billion (includes transaction cost of KRW 3.5 billion) required to consummate the Acquisition and repaid the drawn debt using the follow-on offering proceed received on 9 August 2023.

- On 12 June 2023, MKIF completed the issuance of a KRW 100 billion, 5-year, fixed rate, unsecured bond at an annual interest rate of 4.406%. MKIF used the proceed of KRW 100 billion to repay the existing KRW 100 billion, 5-year, fixed-rate, unsecured bond which matured on 12 June 2023.
- On 13 June 2023, the Board of MKIF approved the issuance of 30,935,808 new common shares (7.64% of current outstanding shares) (the "New Shares") (the "Offering"). In order to pursue the Offering, MKIF signed underwriting agreements with five co-lead managers and submitted the securities registration statement to the Financial Supervisory Service.

The final offer price was determined on 27 July 2023 as KRW 11,670 per share, and 43,674,422 shares were subscribed in aggregate, resulting in the total subscription rate of 141.2%. MKIF received the Offering proceed of KRW 361 billion on 9 August 2023, and the New Shares were listed on 21 August 2023.

MKIF used the net Offering proceed of KRW 358.5 billion, calculated based on the Offering proceed of KRW 361.0 billion net of the issuance cost of KRW 2.5 billion, on the following:

- KRW 128.0 billion: investment in the Incheon-Gimpo Expressway project, as disclosed by MKIF on 14 March 2022
 - KRW 186.7 billion: investment in CNCITY Energy Co., Ltd., as disclosed by MKIF on 2 June 2023
 - KRW 43.8 billion: restoration of liquidity for potential future investments by MKIF
- On 11 September 2023, MKIF executed the underwriting agreement for the short-term bond facility with three underwriters. The underwriting agreement is effective from 11 September 2023 to 11 September 2025, and MKIF can issue an unlimited number of short-term bonds with tenor of 90 days or less up to KRW 392.2 billion at an annual interest rate of 91-day CD + 120bps. Each underwriter is obligated to underwrite up to the amount stated in the underwriting agreement. MKIF plans to use the proceeds from issuing short-term bonds for investment purpose.
 - Incheon International Airport Expressway is a 40.2km, dual three to four-lane expressway linking the Seoul Metropolitan Area and Yeongjong Island, where the Incheon International Airport is located. New Airport Hiway Co., Ltd. ("NAHC") is the concessionaire of the Incheon International Airport Expressway project with a right granted by the Ministry of Land, Infrastructure and Transport (the "MOLIT") to operate and manage the expressway for 30 years from 1 January 2020 to 31 December 2030 (the "Original Concession").

7. Total assets are based on FY2022 consolidated basis financial statements of CNCITY and revenue is the sum of CNCITY's FY2022 revenue and FY2022 revenue of an affiliate which CNCITY acquired in 2022

On 24 September 2023, NAHC signed the amended concession agreement with the MOLIT, and key highlights are as below.

- Reduction of toll rate by 51%⁸ (effective from 1 October 2023)
- Revenue loss resulting from the toll rate reduction for the remaining Original Concession period will be compensated in full (the “Revenue Loss Compensation”) by the institutions (the “Designated Institutions”) designated by the MOLIT
 - The Designated Institutions provide quarterly Revenue Loss Compensation to NAHC during the remaining Original Concession period, and retrieve the advanced payments with toll revenues to be earned from operating Incheon International Airport Expressway for a period agreed by the MOLIT post the expiration of the Original Concession
 - Revenue Loss Compensation is due the end of month following each applicable quarter, and the MOLIT bears ultimate responsibility for full payment of Revenue Loss Compensation
 - Impact of traffic volume increase attributable to the toll rate reduction is calculated based on traffic volume / toll fare elasticity, and will be excluded from the Revenue Loss Compensation
- No change with the shareholding & capital structure of NAHC and MKIF’s investment amount & terms
- On 25 September 2023, MCB Co., Ltd. (“MCB”) submitted a request for arbitration to the International Chamber of Commerce (“ICC”) to seek a declaration on its claim of KRW ~3.4 billion⁹ of overdue support payment from Gyeongsangnam-Do (“GSND”), the competent authority (the “Arbitration”). MCB is the concessionaire of Machang Bridge with a 30-year operating right from 15 July 2008 to 14 July 2038.

After the amended concession agreement signed by MCB and GSND became effective on 26 January 2017, MCB had received support payments from GSND pursuant to the revenue allocation scheme. However, since January 2023, GSND has started applying a varied, self-developed methodology for calculating support payments payable to MCB. As a result, GSND provided only KRW 0.8 billion, or KRW ~3.4 billion less than KRW 4.2 billion of support payment requested by MCB from 1 January 2023 to 25 September 2023. Accordingly, MCB submitted a request for arbitration as per the legal dispute resolution clause in the amended concession agreement.

In accordance with the terms of the amended concession agreement and the arbitration rules of the ICC, an arbitral tribunal comprising of three arbitrators will review the Arbitration process and render a decision. The decision of the arbitral tribunal is expected¹⁰ to be made within a period of around 12 months from the date the request for Arbitration is submitted to the ICC, and the decision will be final and binding to the parties involved.

- On 22 November 2023, 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 shareholders 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 expected¹¹) pursuant to the concession agreement signed with SMC on 27 March 2023 to recoup original investment and earn investment return.

8. Toll rate reduced from KRW 6,600 per vehicle to KRW 3,200 per vehicle for Type 1 vehicles (small vehicles) passing the Incheon Airport tollgate

9. The stated amount corresponds to the sum of support payments for 4Q 2022, 1Q 2023, and 2Q 2023 requested to GSND in January, April, and July of 2023 respectively. If GSND continues to decline to pay full amount of support payments requested by MCB in the future, MCB will increase the amount claimed via Arbitration accordingly

10. Actual duration of the Arbitration may differ from the expectation

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

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 Seokgwan-dong of Seongbuk-gu and Daechi-dong of Gangnam-gu by 2028¹². Of the first phase, a 10.1km section connecting Seokgwan-dong of Seongbuk-gu and Samseong-dong of Gangnam-gu is the target asset (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 transportation¹² for drivers travelling long-term distance between northeastern and southeastern parts of Seoul.

MKIF will secure KRW 214.8 billion required for the Investment by utilizing its credit facility and issuing short-term bonds. 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.

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

Appendix 1. Financial Results

STATEMENT OF FINANCIAL POSITION¹

As at 31 December 2023 and 31 December 2022

	(Unit: KRW million)	
	31 December 2023	31 December 2022
Assets		
Invested Assets	2,499,408	2,305,832
Cash & deposits	23,502	27,547
Loans receivable	1,703,566	1,707,253
Equity securities ²	772,340	571,032
Others	839,736	742,258
Interest receivables	834,023	735,892
Other receivables	2,348	2,350
Deferred costs, net	1,204	1,895
Prepayment	2,161	2,121
Total Assets	3,339,144	3,048,090
Liabilities		
Bond	309,221	348,915
Long-term debt	96,356	137,151
Management fee payable	11,981	9,898
Other liabilities	9,695	11,119
Total Liabilities	427,253	507,083
Shareholders' Equity		
Share Capital	2,807,423	2,448,937
Retained Earnings (Losses)	104,468	92,070
Total Shareholders' Equity	2,911,891	2,541,007
Total Liabilities and Shareholders' Equity	3,339,144	3,048,090

1. Audited, non-consolidated

2. Pursuant to the Financial Investment Services and Capital Markets Act and the resolution by the internal appraisal committee of Macquarie Korea Asset Management Co., Ltd., MKIF reports all its unlisted equity investments at acquisition cost

STATEMENT OF INCOME¹

For the twelve months ended 31 December 2023 ("2023") and 31 December 2022 ("2022")

(Unit: KRW million)

	2023	2022	Change %
Revenue	396,084	376,626	5.2%
Interest income	289,682	268,303	
Dividend income ²	106,282	108,033	
Other income	120	290	
Expenses	69,931	61,450	13.8%
Management fee	44,774	44,340	
Interest expense	21,555	13,616	
Other expenses	3,602	3,494	
Net Income	326,153	315,176	3.5%
Normalized Net Income³	326,153	315,176	3.5%
EPS (KRW per share)⁴	782	779	0.4%
Normalised EPS (KRW per share)^{3,4}	782	779	

1. Audited, non-consolidated

2. 2023: KRW 19.3bn from New Airport Hiway Co., Ltd.; KRW 60.0bn from Cheonan-Nonsan Expressway Co., Ltd.; KRW 13.5bn from Soojungsan Investment Co., Ltd.; KRW 12.0bn from Kwangju Ring Road Company, Ltd.; KRW 1.5bn from Woomyunsan Infraway Co., Ltd.

2022: KRW 19.3bn from New Airport Hiway Co., Ltd.; KRW 60.0bn from Cheonan-Nonsan Expressway Co., Ltd.; KRW 17.5bn from Soojungsan Investment Co., Ltd.; KRW 11.2bn from Kwangju Ring Road Company, Ltd.

3. Excludes one-off items

2023 and 2022: no one-off item

4. Change % of net income and EPS are different because the number of outstanding shares of MKIF increased after the completion of a follow-on offering in 3Q 2023

STATEMENT OF INCOME¹

For the three months ended 31 December 2023 ("4Q 2023") and 31 December 2022 ("4Q 2022")

(Unit: KRW million)

	4Q 2023	4Q 2022	Change %
Revenue	73,694	69,287	6.4%
Interest income	73,692	69,114	
Dividend income	-	-	
Other income	2	173	
Expenses	17,792	15,691	13.4%
Management fee	11,981	9,898	
Interest expense	4,872	4,849	
Other expenses	939	944	
Net Income	55,902	53,596	4.3%
Normalized Net Income²	55,902	53,596	4.3%
EPS (KRW per share)³	128	132	(3.3%)
Normalised EPS (KRW per share)^{2,3}	128	132	

1. Unaudited, non-consolidated

2. Excludes one-off items

4Q 2023 and 4Q 2022: no one-off item

3. Change % of net income and EPS are different because the number of outstanding shares of MKIF increased after the completion of a follow-on offering in 3Q 2023

Appendix 2. Asset Performance – Toll Roads

On a weighted average basis¹, traffic volume and revenue grew by 9.3% and 8.3% respectively for the Period compared with the pcp. Highlights for the Period include:

- Incheon International Airport Expressway and Incheon Grand Bridge, two assets which traffic performance was negatively impacted by the outbreak of COVID-19 in 2020, are showing steady recovery.
- The substantial gap between traffic revenue change % and traffic volume change % of Incheon International Airport Expressway is due to the toll rate reduction which became effective on 1 October 2023. Revenue loss resulting from the toll rate reduction will be compensated in full by the institutions designated by the competent authority.
- Traffic revenue change % was less than volume change % for certain assets as the respective government authorities requested them to apply toll exemption during the Lunar New Year holiday season in 2023, while such toll exemption did not take place in 2022. These assets receive full compensation for revenue loss from the respective government authorities.

Except as stated otherwise, traffic revenue represents actual average daily traffic revenue collected (excluding VAT). Actual traffic revenue collected does not include minimum revenue guarantee or cost compensation payments received from relevant authority and/or toll freeze compensation. Accordingly, the traffic revenues of project companies may not be equivalent to their total revenues.

Traffic revenue is affected by traffic volume growth, inflation linked toll fare adjustment and change to traffic volume mix, as different toll fare may be applied to different types of vehicles.

Asset	2023		4Q 2023		MKIF Portfolio % ⁴
	Volume (%) ²	Revenue (%) ^{3,5}	Volume (%) ²	Revenue (%) ^{3,5}	
Baekyang Tunnel	(0.7%)	(0.8%)	(3.5%)	(3.5%)	0.1%
Gwangju 2nd Beltway, Section 1	4.8%	4.5%	3.9%	4.2%	5%
Incheon International Airport Expressway	31.5%	18.7%	26.4%	(35.6%)	3%
Soojungsan Tunnel	3.0%	2.8%	1.4%	1.5%	2%
Cheonan-Nonsan Expressway	2.3%	6.4%	1.0%	5.7%	10%
Woomyunsan Tunnel	0.8%	0.9%	(1.9%)	(1.8%)	1%
Gwangju 2nd Beltway, Section 3-1	4.3%	4.1%	2.9%	2.9%	1%
Machang Bridge	4.1%	1.4%	2.2%	(2.0%)	4%
Yongin-Seoul Expressway	0.7%	(0.9%)	(0.8%)	(2.3%)	6%
Seoul-Chuncheon Highway	(3.2%)	(4.7%)	(1.0%)	(3.3%)	6%
Incheon Grand Bridge	27.9%	27.0%	16.6%	20.9%	11%
BNP the 2nd Rear Road	6.9%	5.0%	4.3%	4.2%	4%
Incheon-Gimpo Expressway	1.5%	1.2%	0.9%	0.7%	5%
Weighted Average¹	9.3%	8.3%	6.5%	1.6%	

1. On a weighted average basis based on revenue size of and MKIF's equity ownership stake in each project company (assumed full investment of committed amounts)

2. Percentage change from pcp, based on average daily traffic volume

3. Percentage change from pcp, based on average daily revenue

4. Does not include government support payments; Baekyang Tunnel, Gwangju 2nd Beltway Section 1 & 3-1, Soojungsan Tunnel, 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

5. On MKIF investment amount basis on 31 December 2023 (assumed full investment of committed amounts)

Appendix 3. Asset Performance – Port (BNP 2-3)¹

	Annual			Quarterly		
	2023	2022	Change over pcp	4Q 2023	4Q 2022	Change over pcp
Volume (TEU million)	2.72	2.69	1.1%	0.62	0.68	(8.8%) ²
Revenue (KRW billion) ³	159.6	167.0	(4.5%)	35.7	42.3	(15.7%)
EBITDA (KRW billion) ³	76.9	84.5	(9.1%)	15.3	21.0	(26.9%)
EBITDA margin	48.2%	50.6%	(2.4%p)	43.0%	49.6%	(6.6%p)

1. Unaudited figures

2. 4Q 2023 volume declined as global shipping industry has been negatively affected by the geopolitical tensions in the Red Sea

3. Revenue and EBITDA fell in 2023 despite the increase in volume because the ancillary revenue, which includes container refrigeration and storage services, declined

Appendix 4. Asset Performance – City Gas Business¹

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	Annual			Quarterly		
	2023	2022	Change over pcp	4Q 2023	4Q 2022	Change over pcp
Volume (million m ³) ²	757	815	(7.0%)	224	235	(5.0%)
Revenue (KRW billion) ³	724.9	743.7	(2.5%)	205.6	259.2	(20.7%)
EBITDA (KRW billion)	51.1	54.9	(6.9%)	12.2	14.3	(14.7%)
Pipeline length	2,524km	2,491km	1.4%	2,524km	2,491km	1.4%

SRB

	Annual			Quarterly		
	2023	2022	Change over pcp	4Q 2023	4Q 2022	Change over pcp
Volume (million m ³) ²	200	211	(5.5%)	59	62	(4.2%)
Revenue (KRW billion) ³	198.2	207.1	(4.3%)	54.4	72.6	(25.0%)
EBITDA (KRW billion) ⁴	14.0	15.9	(12.0%)	4.3	3.5	21.2%
Pipeline length	591km	556km	6.4%	591km	556km	6.4%

CNCITY

	Annual			Quarterly		
	2023	2022	Change over pcp	4Q 2023	4Q 2022	Change over pcp
Volume (million m ³) ²	662	739	(10.5%)	201	222	(9.6%)
Revenue (KRW billion) ³	670.7	702.0	(4.5%)	198.2	253.7	(21.9%)
EBITDA (KRW billion)	40.6	44.6	(8.9%)	11.7	12.9	(9.9%)
Pipeline length	1,766km	1,749km	1.0%	1,766km	1,749km	1.0%

1. Unaudited figures

2. 2023 volume decrease is mostly due to higher average temperature over pcp and slowdown in the economy

3. Revenue is mostly impacted by sales volume, KOGAS wholesale tariff and retail distribution tariff. Average wholesale tariff is adjusted to reflect the change in natural gas price, and such adjustment impacts both revenue & cost of goods sold

4. For SRB, EBITDA decline % is greater than sales volume decrease % because of one-off increase in EBITDA in 2022 due to an adjustment in accounting method (in 2022, sales volume and EBITDA were up 4.7% and 21.2% respectively over pcp)

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