

## Macquarie Korea Infrastructure Fund

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### MACQUARIE KOREA INFRASTRUCTURE FUND REPORTS 2009 INTERIM FINANCIAL AND TRAFFIC RESULTS



Macquarie Korea Infrastructure Fund (“MKIF”) today announced its interim financial results for the six months ended 30 June 2009 (the “Period”), together with its traffic volume and traffic revenue results for the Period.

Highlights include:

- On a non-consolidated basis, the normalised revenue and normalised net income<sup>1</sup> increased by 6% and 11% on the prior corresponding period (pcp) to KRW 79.8 billion and KRW 53.7 billion, respectively. Revenue was higher primarily due to the 7% increase in interest income. Expenses decreased compared to pcp mainly due to lower management fees over the Period.
- The performance of the underlying assets has been solid given recent economic conditions. On a weighted average basis, traffic volume fell by 0.5% while revenue increased by 2.0% compared to pcp. Revenue growth benefited from inflation-linked toll adjustments in four of MKIF’s operating assets during the second half of 2008.
- MKIF completed two additional capital management transactions<sup>2</sup> during the Period, realising net cash proceeds of KRW 164 billion of cash to MKIF. MKIF has a solid balance sheet and is in a sound financial position given:
  - Minimum revenue guarantee backing on substantially all of MKIF’s operating cash receipts
  - Proportionately consolidated cash balance<sup>3</sup> of KRW 522 billion
  - Current MKIF net debt of KRW 101 billion with corporate debt funding not maturing until 2012
  - All asset level debt is fully-funded, amortising debt with an average maturity of 9 years
  - Proportionately consolidated gearing<sup>4</sup> of 48% with 56% of interest obligations either fixed or hedged<sup>5</sup> for the next twelve months.

<sup>1</sup> Normalised revenue and normalised net income exclude (i) the capital gains of KRW 79.4 bn in 2008 from the securitisation of the senior debt provided to Baekyang Tunnel and the sale of the convertible bonds issued by New Daegu-Busan Expressway and (ii) capital loss of KRW 3.6bn in 2009 from the securitisation of Cheonan-Nonsan subordinated loan interest receivables

<sup>2</sup> The two transactions include (i) Incheon Grand Bridge (sale of senior loan) and (ii) Cheonan-Nonsan Expressway (securitisation of interest receivable on subordinated loan)

<sup>3</sup> Including corporate cash balance of KRW 333bn

<sup>4</sup> Gearing = MKIF Net Debt / ( MKIF Net Debt + MKIF market capitalisation (3-month average)), where MKIF Net Debt = Proportionate net debt from assets + Corporate net debt. Excludes shareholder loans.

<sup>5</sup> Hedging (Fixed or swapped to fixed) = Proportionate net debt from assets adjusted for fixed or swapped debt / MKIF net debt

- An interim distribution of KRW230 per share for the Period was declared and is scheduled to be paid on 14 August 2009<sup>6</sup>.
- Post 30 June, three Greenfield assets have opened, with construction complete and operations having commenced at:
  - Yongin-Seoul Expressway on 1 July 2009 (22.9km dual two to three-lane expressway linking newly developing residential complexes and Seoul)
  - Seoul-Chuncheon Expressway on 15 July 2009 (61.4 km, dual two to three-lane expressway providing a direct route to Gangwon Province, one of the most popular tourist attractions in Korea)
  - Seoul Subway Line 9, Section 1 on 24 July 2009 (25.5 km subway line linking major business districts in Seoul).
- Two of the remaining greenfield assets, Seosuwon-Pyuntaek Expressway<sup>7</sup> and Incheon Grand Bridge, are scheduled to commence operation on time and on budget in the coming months.

Mr Chul Hum Paik, Representative Director of Macquarie Shinhan Infrastructure Asset Management Co. Ltd., the manager of MKIF, said: “MKIF has delivered solid results on all key business fronts. The operating performance of MKIF and its underlying assets continue to remain resilient in spite of slowing economic conditions, also benefiting from inflation-linked and government subsidised revenue streams.”

“We are particularly pleased with our ability to deliver on several key capital management transactions during the period. The transactions demonstrated continuing investor appetite for quality assets in the Korean infrastructure sector and the use of innovate deal structures to overcome often complex and challenging situations. The securitisation of the deferred sub-debt interest in Choenan-Nonsan Expressway for example was the first of its kind in Korea and helped MKIF to secure early cash yields from the asset that otherwise would not have been possible.”

Mr. Paik further noted, “The successful ramp-up of new assets is critical for MKIF’s near term cash management. Three assets commenced operations by now, with another two expected by the end of 2009. We have developed and initiated a wide range of marketing programs for the new assets to shorten the ramp-up timing and this will be the major management focus in the short term.”

“The external business environment remains challenging and we will continue to review MKIF’s capital and cash position closely. A cautious and prudent approach to management is preferred given the current environment”, concluded Mr. Paik.

A presentation providing further details of MKIF’s 2009 interim financial and operating results can be found on MKIF’s website ([www.macquarie.com/mkif](http://www.macquarie.com/mkif)).

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<sup>6</sup> The interim distribution is expected to be accounted for as distribution income for an investor’s calculation of dividend income tax and tax payable under Korean law. This is not intended to be tax advice and investors are advised to consult their own tax advisor for the appropriate tax treatment of the distribution.

<sup>7</sup> On 20 July 2009, MKIF executed an agreement to sell subordinated loan in Seosuwon-Osan-Pyungtaek Expressway

**FINANCIAL RESULTS**<sup>1</sup>

(Unit: KRW million)

	Six month to 30 June 2009	Six month to 30 June 2008
<b>Revenue</b>	<b>76,230</b>	<b>154,792</b>
Interest income and dividend income	79,878	74,995
Capital gain (loss)	(3,575) <sup>2</sup>	79,400 <sup>3</sup>
Other income	(73)	397
<b>Operating Expenses</b>	<b>26,095</b>	<b>26,782</b>
Management fee	11,594	14,926
Interest expense	11,266	6,605
Other expenses	3,235	5,251
<b>Net Income</b>	<b>50,135</b>	<b>128,010</b>

1. Unaudited, non-consolidated basis

2. Capital loss from the securitisation of Cheonan-Nonsan subordinated loan interest receivables

3. Capital gains from the securitisation of the senior debt provided to Baekyang Tunnel and the sale of the convertible bonds issued by New Daegu-Busan Expressway

**TRAFFIC RESULTS**

Asset	2009 2 <sup>nd</sup> Quarter		2009 First Half	
	Traffic (%) <sup>1</sup>	Revenue (%) <sup>2</sup>	Traffic (%) <sup>1</sup>	Revenue (%) <sup>2</sup>
Weighted Average growth	0.6%	4.1%	(0.5%)	2.0%

1. Percentage increase from prior corresponding period, based on average daily traffic

2. Percentage increase from prior corresponding period, based on average daily revenue

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**Appendix 1. Financial results**  
Unaudited, non-consolidated basis

**BALANCE SHEETS**

As of 30 June 2009 and 30 June 2008

	30 June 2009	30 June 2008
(Unit: KRW million)		
<b>Assets</b>		
<b>I . Invested Assets</b>	<b>2,015,883</b>	<b>1,863,482</b>
Cash & deposits	332,888	226,346
Loans receivable	1,082,440	1,070,896
Equity securities	600,555	566,240
<b>II . Others</b>	<b>152,677</b>	<b>140,245</b>
Interest receivables	138,624	128,940
Other receivables	3,308	2,436
Deferred costs, net	10,745	8,869
<b>Total Assets</b>	<b>2,168,560</b>	<b>2,003,727</b>
<b>Liabilities</b>		
Payables	9,599	3
Management fee payable	5,735	7,342
Other liabilities	3,019	1,937
Long-term debt	433,658	234,904
<b>Total Liabilities</b>	<b>452,011</b>	<b>244,186</b>
<b>Shareholders' Equity</b>		
<b>I . Share Capital</b>	<b>1,670,986</b>	<b>1,631,531</b>
<b>II . Retained Earnings</b>	<b>45,563</b>	<b>128,010</b>
<b>Total Shareholders' Equity</b>	<b>1,716,549</b>	<b>1,759,541</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,168,560</b>	<b>2,003,727</b>

STATEMENTS OF INCOME

Six months ended 30 June 2009 and 2008

	Half year Ended 30 June 2009	Half year Ended 30 June 2008
		(Unit: KRW million)
<b>I . Revenue</b>	<b>76,230</b>	<b>154,792</b>
1. Interest income	79,878	74,513
2. Arrangement fees	144	2,895
3. Dividend income	-	482
4. Loss on valuation of debt securities	(290)	(2,922)
5. Gain on sale of loans receivable	(3,575)	24,454
6. Gain on sale of debt securities	-	54,946
7. Other income	73	424
<b>II . Expenses</b>	<b>26,095</b>	<b>26,782</b>
1. Management fees	11,594	14,926
2. Custodian fees	169	214
3. Administrator fees	147	150
4. Performance fees	-	-
5. Interest expense	11,266	6,605
6. Other expenses	2,919	4,887
<b>III . Net Income</b>	<b>50,135</b>	<b>128,010</b>

## Appendix 2. Traffic Results

### 1. TRAFFIC AND REVENUE - PORTFOLIO SUMMARY

On a weighted average basis, traffic and revenue increased by 0.6% and 4.1%, respectively, during the second quarter (the Quarter), when compared to pcp. On the same basis, traffic and revenue for the Period decreased by 0.5% and increased by 2.0%, respectively, on pcp. The highlights from the traffic results include:

- Certain assets, including Woomyunsan Tunnel and Gwangju Second Beltway Section 3-1, had relatively strong traffic results mainly due to the additional traffic inflow coming from more congested adjacent roads.
- Revenue for the Period increased 2.0% compared to pcp due to increases in toll rates at several assets.

Asset	2009 Second Quarter		2009 First Half		% of MKIF Portfolio <sup>c</sup>
	Traffic (%) <sup>a</sup>	Revenue (%) <sup>b</sup>	Traffic (%) <sup>a</sup>	Revenue (%) <sup>b</sup>	
Incheon International Airport Expressway	(6.9%)	(6.8%)	(8.3%)	(8.0%)	5.2
Baekyang Tunnel	(0.8%)	(1.4%)	(2.3%)	(3.0%)	0.1
Gwangju Second Beltway, Section 3-1	13.7%	25.2%	14.6%	20.5%	4.8
Gwangju Second Beltway, Section 1	(5.1%)	11.8%	(3.0%)	5.5%	9.0
Woomyunsan Tunnel	11.1%	10.7%	12.3%	11.8%	1.0
Cheonan-Nonsan Expressway	5.4%	10.4%	3.5%	8.2%	12.7
Soojungsan Tunnel	(0.6%)	(1.6%)	(2.1%)	(3.4%)	6.4
Daegu 4 <sup>th</sup> Beltway East	1.1%	1.1%	0.4%	0.4%	4.2
Machang Bridge	N/A	N/A	N/A	N/A	5.1
<b>Weighted Average</b>	<b>0.6%</b>	<b>4.1%</b>	<b>(0.5%)</b>	<b>2.0%</b>	

**a** Percentage increase from prior corresponding period, based on average daily traffic.

**b** Percentage increase from prior corresponding period, based on average daily revenue.

**c** Percentage based on total commitments by MKIF to all investments in the MKIF portfolio.

*The reported revenue growth does not take into account revenue compensation payments, or other agreed compensation payments relating to toll freeze, to be received by the concession companies. The revenue growth is reflecting the growth in traffic flows for each asset, the toll rate increases, and may also be influenced by the traffic mix between heavy and light vehicles, for which different toll rates apply.*

### 2. TRAFFIC AND REVENUE - INDIVIDUAL CONCESSION COMPANY PERFORMANCE

For the purposes of this analysis, traffic for each toll road asset is calculated as the average daily traffic volume. Except as stated otherwise, revenue for each toll road asset represents actual average daily revenue collected (excluding VAT). Actual revenue collected does not include minimum revenue compensation payments ("MRG") received from the relevant government authority or other minor forms of compensation received. Accordingly, revenue performance in the concession companies is not a direct guide to the revenue performance of MKIF.

#### Incheon International Airport Expressway

	PCP	Year on Year
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	Q2 2008	Q2 2009	% change	2008	2009	% change
Average daily traffic (vehicles / day)	67,895	63,196	-6.9%	65,807	60,336	-8.3%
Average daily revenue (1,000 won)	389,465	362,856	-6.8%	380,011	349,722	-8.0%

**Note:** Traffic for the Quarter and the Period decreased compared with pcp, respectively, mainly due to the decrease in passengers using the airport.

### Baekyang Tunnel

Category	PCP			Year on Year		
	Q2 2008	Q2 2009	% change	2008	2009	% change
Average daily traffic (vehicles / day)	67,554	66,996	-0.8%	67,218	65,651	-2.3%
Average daily revenue (1,000 won)	49,458	48,746	-1.4%	49,243	47,745	-3.0%

**Note:** Following negotiations with Busan Metropolitan City (BMC), toll rates were not increased in 2008 (Previous toll rate increased in August 2007). According to the Concession Agreement, BMC is required to pay compensation for the incremental toll revenue foregone by the concession company.

### Gwangju Second Beltway, Section 3-1

Category	PCP			Year on Year		
	Q2 2008	Q2 2009	% change	2008	2009	% change
Average daily traffic (vehicles / day)	25,287	28,761	13.7%	24,147	27,678	14.6%
Average daily revenue (1,000 won)	20,381	25,510	25.2%	19,427	23,402	20.5%

**Note:** Strong traffic growth is attributable to the commencement of the adjoining Section 4 operation since 1 July 2007 and the toll increase from 1 April 2009.

### Gwangju Second Beltway, Section 1

Category	PCP			Year on Year		
	Q2 2008	Q2 2009	% change	2008	2009	% change
Average daily traffic (vehicles / day)	36,878	34,979	-5.1%	35,610	34,546	-3.0%
Average daily revenue (1,000 won)	32,270	36,073	11.8%	31,186	32,893	5.5%

**Note:** The revenue increase is attributable to the toll increased from 1 April 2009.

### Woomyunsan Tunnel

Category	PCP			Year on Year		
	Q2 2008	Q2 2009	% change	2008	2009	% change

Average daily traffic (vehicles / day)	20,815	23,129	11.1%	19,976	22,425	12.3%
Average daily revenue (1,000 won)	36,242	40,118	10.7%	34,795	38,898	11.8%

**Note:** The traffic has increased due to the migration of traffic from Seoul Busan Expressway that has recently experienced an increase in congestion due to the newly-introduced dedicated bus lane.

### Cheonan-Nonsan Expressway

Category	PCP			Year on Year		
	Q2 2008	Q2 2009	% change	2008	2009	% change
Average daily traffic (vehicles / day)	32,114	33,845	5.4%	31,611	32,724	3.5%
Average daily revenue (1,000 won)	230,101	254,123	10.4%	226,788	245,480	8.2%

**Note:** The revenue increase is attributable to the inflation-adjusted toll increase as of October 2008.

### Soojungsan Tunnel

Category	PCP			Year on Year		
	Q2 2008	Q2 2009	% change	2008	2009	% change
Average daily traffic (vehicles / day)	39,421	39,196	-0.6%	39,369	38,555	-2.1%
Average daily revenue (1,000 won)	29,893	29,407	-1.6%	29,891	28,882	-3.4%

**Note:** Following negotiations with BMC, toll rates were not increased in 2008 (Previous toll rate increased in July 2007). According to the Concession Agreement, BMC is required to pay compensation for the incremental toll revenue foregone by the concession company.

### Daegu 4<sup>th</sup> Beltway East

Category	PCP			Year on Year		
	Q2 2008	Q2 2009	% change	2008	2009	% change
Average daily traffic (vehicles / day)	18,741	18,942	1.1%	18,284	18,350	0.4%
Average daily revenue (1,000 won)	18,785	18,995	1.1%	18,327	18,401	0.4%

**Note:** Following negotiations with Daegu Metropolitan City (DMC), toll rates were not increased in 2008. According to the Concession Agreement, DMC is required to pay compensation for the incremental toll revenue foregone by the concession company.

### Machang Bridge

Category	PCP			Year on Year		
	Q2 2008	Q2 2009	% change	2008	2009	% change

Average daily traffic (vehicles / day)	-	11,774	N/A	-	10,989	N/A
Average daily revenue (1,000 won)	-	25,390	N/A	-	23,615	N/A

**Note:** Machang Bridge has commenced its toll operation from 15 July 2008.

### 3. PRIOR PERIOD COMPENSATION PAYMENTS RECEIVED FROM GOVERNMENT AUTHORITIES

The concession companies receive revenue compensation payments from the relevant government authority in addition to revenue received from traffic. Generally, revenue compensation and other compensation payments are received within 6 to 18 months after the end of the year to which they relate.

MRG Receivables for the FY2008 have been received from the relevant government authority as the table shows below.

(Unit: KRW billion)

Asset Name	MRG receivable for 2008	Received Amount	Remaining according to Concession Agreement	
			Amount	Due date without additional interest
Daegu 4 <sup>th</sup> Beltway East	169.3	83.5	85.8	February, 2010
Baekyang Tunnel	41.2	41.2 <sup>1)</sup>	-	N/A
Soojungsan Tunnel	119.7	119.7 <sup>1)</sup>	-	N/A
Gwangju Second Beltway, Section 1	140.3	70.7	69.5	December 2009
Gwangju Second Beltway, Section 3-1	65.6	33.1	32.5	December 2009
Cheonan-Nonsan Expressway	471.5	371.5	100.0	December 2009
Woomyunsan Tunnel	64.5	64.5 <sup>2)</sup>	-	N/A
Incheon International Airport Expressway	941.1	941.1	-	N/A
Machang Bridge	58.8	-	58.8	February 2010
<b>Total</b>	<b>2,072.1</b>	<b>1,725.3</b>	<b>346.6</b>	

**Note :** 1) The first payment of the 4 instalments for the MRG from 2005 to 2007 according to Concession Agreement.

2) For the second half of FY2007 and the first half of FY2008