



# Macquarie Korea Infrastructure Fund

## 11<sup>th</sup> Annual General Shareholders Meeting 2010

Date: 26 March 2010, 3 PM

Venue: 4<sup>th</sup> floor Orchid Hall, Plaza Hotel





# 11<sup>th</sup> Annual General Shareholders Meeting

Macquarie Korea Infrastructure Fund 26 March 2010



- 1 OPENING OF THE MEETING
- 2 AGENDA 1 – REAPPOINTMENT OF THE SUPERVISORY DIRECTOR
- 3 AGENDA 2 – AMENDMENT TO ARTICLES OF INCORPORATION (ARTICLE 45)
- 4 BUSINESS REPORT
- 5 CLOSING

- **Chairman : Chul Hum Paik**

Representative Director of Macquarie Shinhan Infrastructure Asset Management Co., Ltd.

- **Speaker : Jason Pak**

Chief Operating Officer (COO) of Macquarie Shinhan Infrastructure Asset Management Co., Ltd.

Tae-Hee Yoon

- Chairman, Lutronic Corporation Inc, Korea
- Senior Advisor, IFC of the World Bank, DC
- Former vice-chairman, Financial Advisory Services, PricewaterhouseCoopers

Kyung Soon Song

- Representative Director, Korea Expert Consulting Group (KECG)
- Steering Committee member of Korea Investment Corporation (Chairman of Investment Sub-committee)
- Member of International Development Cooperation Committee of Republic of Korea

Dae Yun Cho

- Attorney-at-law, Senior Partner of Kim & Chang
- National Candidate of Korea for the World Trade Organization (WTO) Panel and for the WTO's Subsidy and Countervailing Duties Committee

# CORPORATE DIRECTOR:

Macquarie Shinhan Infrastructure Asset Management Co., Ltd.



Establishment

October 2002

SOC Fund Management  
License

FSCMA<sup>1</sup>

Fund under management

MKIF

Staff

30



Joint Venture between Macquarie Group and Shinhan Financial Group  
Management expertise drawn from both groups' world-wide network and strong Korean presence

Duties and responsibilities:

- Operational and capital management of MKIF and invested companies
- Transactions
- Finance /tax / regulatory
- IR and media relations
- Government relations

1. Financial Investment Service and Capital Market Act



Opening of the meeting

- The total number of voting shares issued :  
  
331,459,341 shares
  
- Attending Shareholders :  
  
250,615,537 shares (75.61 % of the total number of voting shares)



# Agenda 1: Re-appointment of Supervisory Director

- Career
  - MKIF Supervisory Director (Initially appointed in December 2002)
  - Attorney-at-law, Senior Partner of Kim & Chang
  - National Candidate of Korea for the World Trade Organisation (WTO) Panel and for the WTO's Subsidy and Countervailing Duties Committee
  - President of the International Association of Korean Lawyers
  - Arbitrator of the Korean Commercial Arbitration Board
  - Former President of the Korea International Trade Law Association
  - Former consultant for various Korean Ministries, including the Ministry of Strategy and Finance and the Ministry of Knowledge Economy
  
- Education
  - BA – Law, Seoul National University
  - LL.M. – Yale Law School



## Agenda 2: Amendment to MKIF's AOl (Article 45)

- **Rationale for the proposed change in the AOI**
  - Flexibility to respond readily to market changes by simplifying the process in which leverage can be used for general operating purposes
  - Reduce administrative costs of holding shareholders meeting
  - Potential positives include:
    - Efficient cash management
    - Reduction in cost of capital as debt can be drawn and repaid as and when needed
  
- **Proposed amendments to Private Participation in Infrastructure Act (the “PPI Act”)**
  - MOSF<sup>1</sup> public notice No. 2010-45 (2010.2.9)
  - Proposed amendments
    - Relaxation of provisions to make the Korean PPI sector more investor-friendly – **deregulation on external borrowing procedures** and introduction of trust type infrastructure funds
    - Delegation of the right to resolve borrowings for operating purposes to the board of directors when permitted under the company’s articles of incorporation
  - Approval at the National Assembly : Expected in April/May 2010
  
- **Leverage limit of 30% of paid of capital will remain unchanged**

1. Ministry of Strategy and Finance



# Business Report

- ✓ ACHIEVED SOLID FINANCIAL AND OPERATIONAL RESULTS
- ✓ DERISKING OF THE PORTFOLIO THROUGH SUCCESSFUL ASSET OPENINGS
- ✓ FINANCIAL STRENGTH PRESERVED THROUGH PROACTIVE MANAGEMENT OF CAPITAL AND DISTRIBUTION RE-ALIGNMENT

# ACHIEVED SOLID FINANCIAL AND OPERATIONAL RESULTS



- Underlying traffic volume and revenue<sup>1</sup> growth of 3.0% and 4.8% respectively compared with the previous corresponding period (pcp)
- Normalised <sup>2</sup> revenue and EBITDA growth of 1.2% and 5.2% respectively on pcp
- Proportionate EBITDA margin of 86%<sup>3</sup> across the portfolio compared with 85% in 2008

## FINANCIAL SUMMARY

Normalised revenue	157.6 billion	+1.2%
Normalised net income	103.8 billion	-
Normalised EBITDA	126.8 billion	+5.2%

## ASSET PERFORMANCE

Average daily traffic <sup>2</sup>	0.32 million	+3%
Average daily revenue <sup>2</sup>	800 million	+4.8%
EBITDA Margin	86%	+1%

1. On a weighted average basis based on revenue size of each asset and the MKIF's equity interest in each concession company. Excludes all new assets which have commenced operation since July 2009

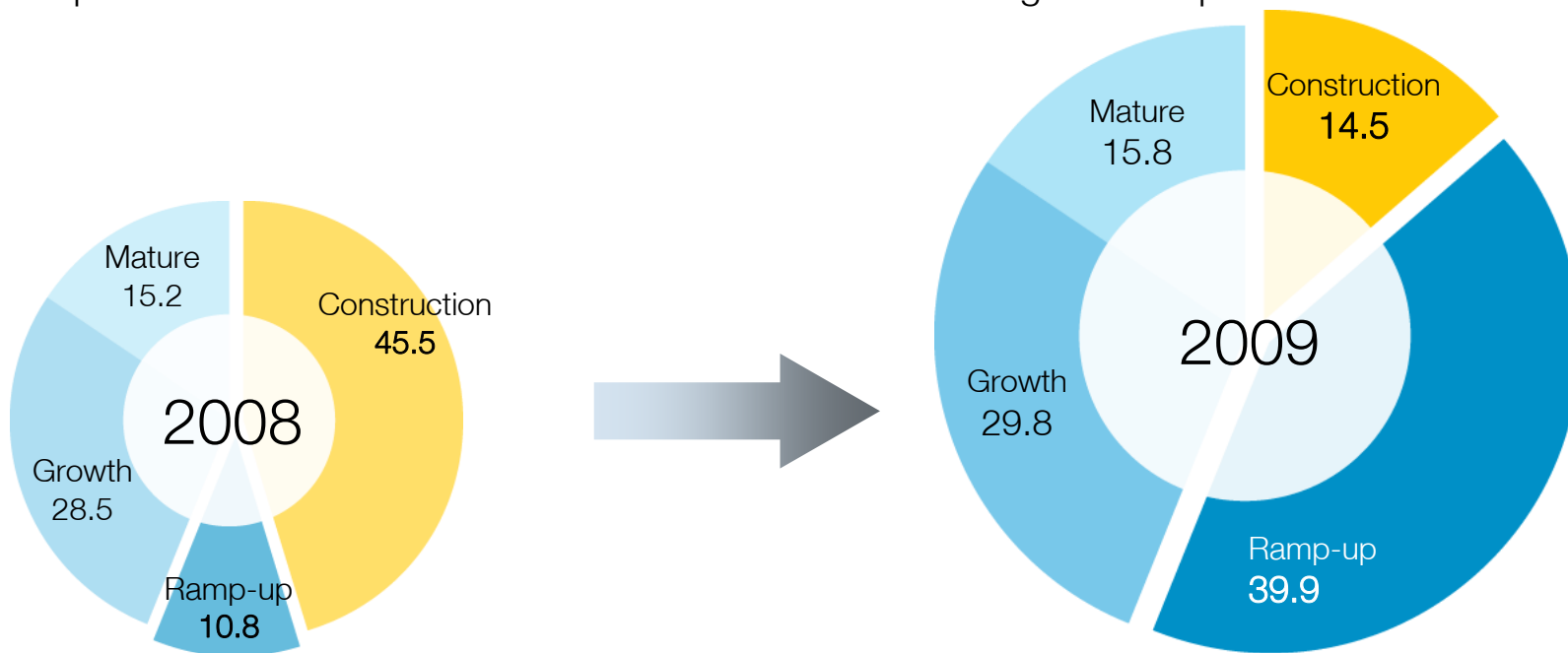
2. Adjusted to remove (i) capital loss of KRW3.6bn incurred in 2009 and (ii) capital gain of KRW79.4bn in 2008

3. Asset level EBITDA on a proportionate basis, excluding all new assets which have commenced operation in 2008 and 2009. Estimated, unaudited figure.

# DERISKING OF THE PORTFOLIO THROUGH SUCCESSFUL ASSET OPENINGS



- Four new assets<sup>1</sup> commenced operation in 2009 all on time and on budget
- 85% of the portfolio now under operation<sup>2</sup>
- Traffic performance of the new assets to date in line with management expectations



Average age of assets

**4** years

Concession period

**25** Years remaining

Government support

**13** /14 Assets

MRG period

**14** Years remaining

1. Excludes Seosuwon-Osan-Pyungtaek Expressway (SOPE) divested in January 2010

2. Based on commitment amount

- Refinancing risk minimised through extension of the corporate loan maturity to November 2014
- Successful recycling of non-core assets to help to fund commitments
- Distribution aligned with earnings in response to giving MKIF financial strength and flexibility

## Extension of the corporate loan facility

### Refinancing risk minimised

- Eliminated external financing needs for next 5 years

## Active management of Capital

- Incheon Grand Bridge (Sale of senior loan)
- Cheonan-Nonsan Expressway (Securitisation of subordinated debt interest receivable)
- Seosuwon-Osan-Pyungtaek Expressway (Sale of subordinated loan)

Total net cash inflow: **249.6 billion**

## Revised distribution policy

- Re-aligned distribution target to MKIF's earning and operating cash flows
- Distribution Floor: Higher of taxable income or 100% of distribution accounting income

- Key features of MKIF cashflows
  - Embedded underlying revenue growth : Structured to grow over time (At least for 14 years of MRG period)
  - Young portfolio with weighted average age of only 4 years
  - Lower operating cash receipts from invested assets while reducing the overall gearing of asset companies
    - a significant portion of the operating cashflows at invested companies is being applied to the amortisation of the senior debt (Average maturity – 8 years)
  - Exposed to the volatility of cash receipts during the ramp-up of the newly opened assets
  
- Rationale for distribution revision
  - In response to market conditions giving MKIF financial strength and flexibility
  - Improve distribution coverage on operating cashflows
  - Remain tax-exempt status by distributing net income level
  - Secure stable and long-term growing distribution profile

## ✓ STRUCTURED TO DELIVER UNDERLYING GROWTH

- Concessions designed to provide embedded growth in revenues during MRG period
- Remains a young portfolio with weighted average age of only 4 years
- Amortisation of asset level debt expected to release increasing cashflows to MKIF in the medium term

## ✓ MAINTAIN CAUTIOUS BUT PROACTIVE STANCE ON CAPITAL MANAGEMENT

- Continue efforts on asset level refinancing to generate cash and potentially result in 'special' distributions
- Corporate loan repayment planned with surplus cash
- Ongoing distributions to closely track EPS in the near to medium term

## ✓ FOCUS ON OPERATING PERFORMANCE

- Traffic ramp-up of the newly opened assets
- Portfolio-wide efforts to control operating costs

## ✓ NEW ACQUISITIONS

- Review of pre-emptive positions to acquire equity stakes in newly opened assets

THANK YOU

