



# WOOMYUNSAN TUNNEL REFINANCING

Macquarie Korea Infrastructure Fund

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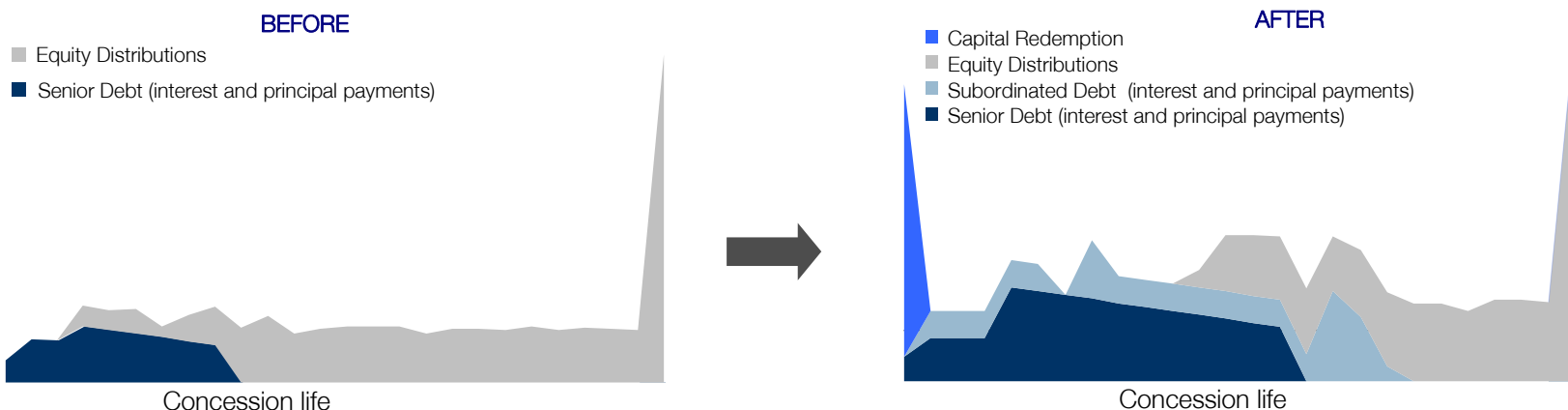
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# HIGHLIGHTS



- Optimising the capital structure of Woomyunsan Tunnel through a new KRW 112.3bn debt package (the “Transaction”):
  - Refinancing of existing senior debt of KRW 90.7bn
  - Increase in senior debt of KRW 21.6bn
  - Capital redemption to Woomyunsan Tunnel shareholders of KRW 53.2bn of which KRW 26.6bn is invested back into Woomyunsan in the form of subordinated debt
  - Refinancing benefit sharing<sup>1</sup> with Seoul Metropolitan City involving changes in the Concession Agreement with net result being positive for the shareholders of Woomyunsan Tunnel

Conceptual diagram of cashflow

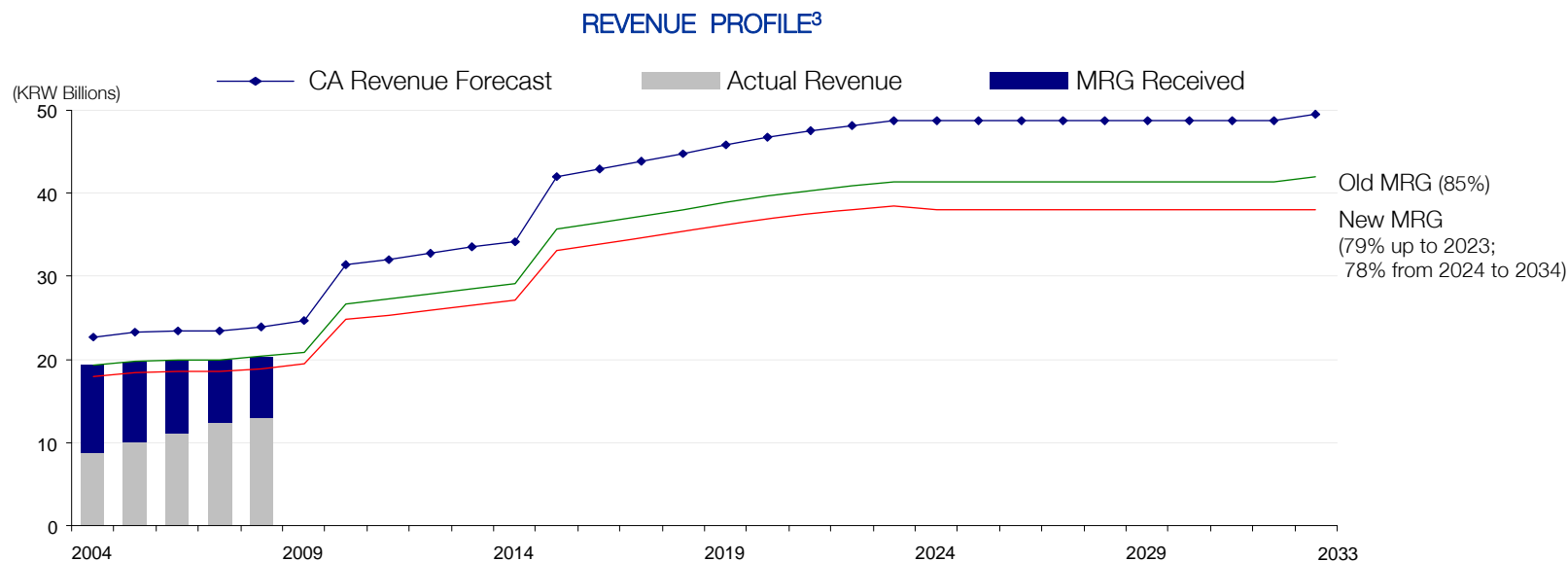


1. Concession agreement of PPI projects introduced after 2004 in Korea contains refinancing benefit sharing clause where financial benefits arising from refinancing of asset level debt need to be shared with relevant government authority

# WOOMYUNSAN TUNNEL



- A 30-yr concession<sup>1</sup> toll-road project with a Minimum Revenue Guarantee (MRG) coverage for the full life of the concession
- MKIF with 36% equity investment (KRW 20.3bn) since 2005
- MRG threshold at 85%<sup>2</sup> of CA (Concession Agreement) forecast revenues
- Actual traffic revenue at circa 47% of the CA revenue forecast during the past 4 years



1. Remaining concession period of 25 years

2. Pre-Transaction figure

3. Actual CPI and revenue applied up to 2007. For 2008, actual revenue and MRG revenue are annualised based on the actual revenue recorded by September 2008. From 2009 to 2034, assumed 4% CPI growth

# DEAL SUMMARY



		BEFORE		AFTER
Capital Structure	▪ Equity	KRW 53.2bn	▶	KRW 26.6bn
	▪ Senior Debt	KRW 90.7bn	▶	KRW 112.3bn <sup>1</sup>
	▪ Subordinated Debt	-	▶	KRW 26.6bn
Interest Rate	▪ Senior Debt <sup>2</sup> – Base Rate	10.39% p.a. 3yr Corp A+ rate	▶	7.06% p.a. 91-day CD rate
	▪ Subordinated Debt	-	▶	20.0% p.a.
Maturity	▪ Senior Debt	December 2016	▶	December 2022
Amortisation Period	▪ Senior Debt	2006-2016	▶	2012-2022
Capital Redemption	▪ Cash	-	▶	KRW 53.2bn
MRG	▪ Minimum threshold	85%	▶	79%(78%) <sup>3</sup>

1. Consists of 1) KRW 90.7bn of Tranche I for refinancing of existing debt and 2) KRW 21.6bn of Tranche II for capital redemption. Excluding short term standby loan of KRW 10bn

2. Based on market rate as at 11 December 2008. Weighted average interest rates on fixed and floating rate tranches of the senior debt after refinancing

3. 79% up to 2023, 78% from 2024 to 2034

# KEY OUTCOME



- Immediate net cash inflow of KRW 9.6bn to MKIF from the capital redemption
- KRW 9.6 billion of subordinated debt invested by MKIF in Woomyunsan Tunnel
- Increased short-term cash yield for the shareholders of Woomyunsan Tunnel- average yield over next 5 years 23%, up from 5%<sup>1</sup>
- Improved senior debt terms of Woomyunsan Tunnel
  - Change in the base rate to a more stable bank CD rate
  - Reduction in interest expense
  - Extension of the maturity and the debt amortisation period by 6 years
- Established a successful precedent for further refinancing of MKIF assets
  - Win-win outcome from the refinancing benefit sharing negotiation for both the concessionaire and relevant government authority
  - Exemplary case of optimising capital structure to maximise shareholder return while providing a stable capital position for the company

*A remarkable transaction in extremely difficult credit market conditions in Korea, reaffirming the quality of MRG assets and MKIF's capital management capacity*

1. Based on certain assumptions which, if not achieved, may affect the return

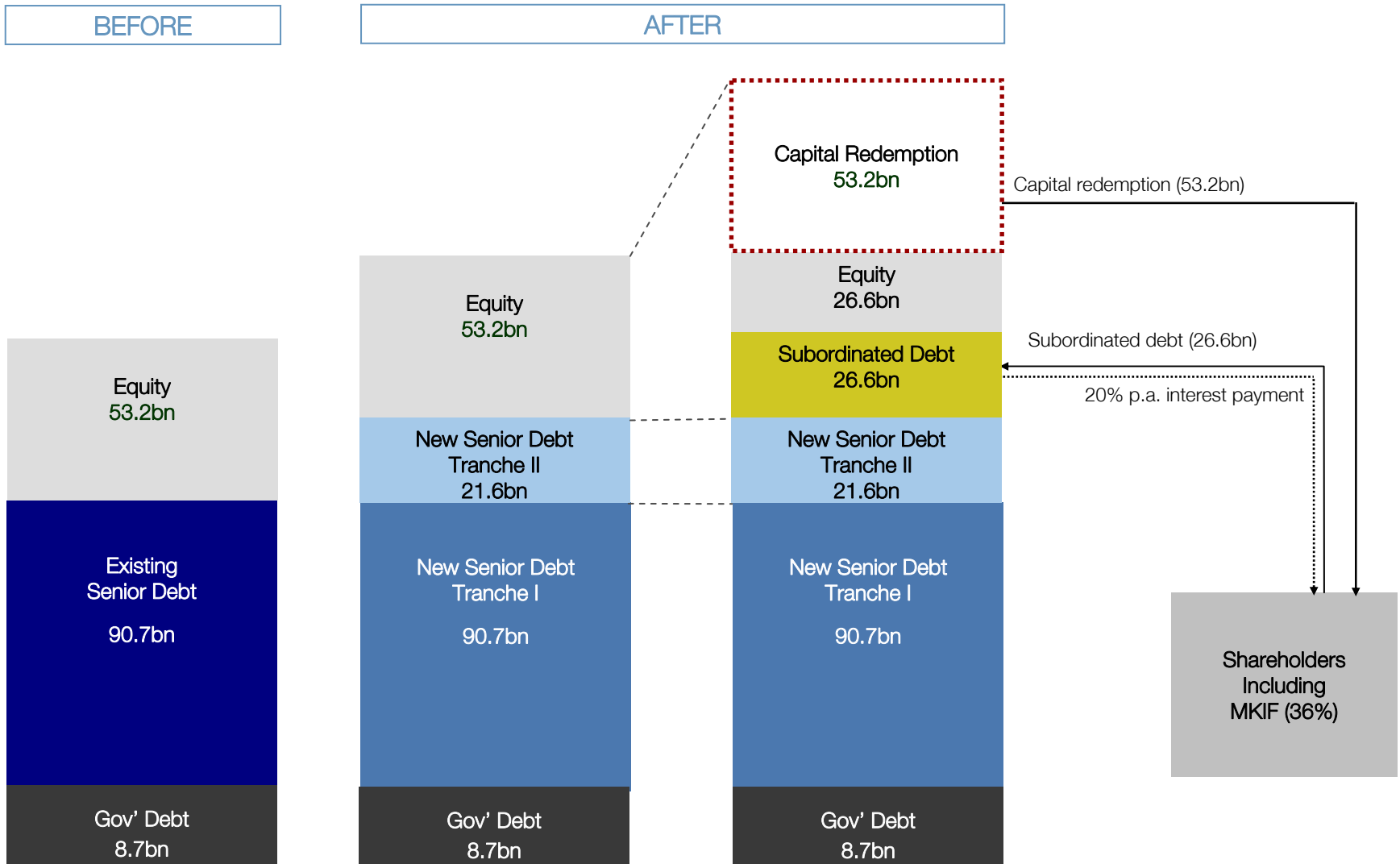


# APPENDICES

# Appendix 1 – Changes in the capital structure



(Unit: KRW)



# Appendix 2 – Major debt terms



## Senior Loan Major Changes

### Existing Senior Loan

### New Senior Loan

Facility Amount	KRW 115.0bn (Outstanding: KRW 90.7bn)	<ul style="list-style-type: none"> <li>Tranche I: KRW 90.7bn</li> <li>Tranche II: KRW 21.6bn</li> </ul>
Maturity	<ul style="list-style-type: none"> <li>December 2016</li> </ul>	<ul style="list-style-type: none"> <li>December 2022</li> </ul>
Interest Rate <sup>1</sup>	<ul style="list-style-type: none"> <li>Floating rate</li> <li>3yr Corp A+ rate + 1.68%</li> <li>(10.39% p.a.<sup>1</sup>)</li> </ul>	<ul style="list-style-type: none"> <li>Tranche I:                             <ul style="list-style-type: none"> <li>Floating rate<sup>2</sup>: 91-day CD rate + 2.10% (6.85%p.a<sup>1</sup>)</li> <li>Fixed: 7.65% p.a.</li> </ul> </li> <li>Tranche II: Floating<sup>2</sup>: 91-day CD rate + 1.90% (6.65% p.a<sup>1</sup>)</li> </ul>
Amortisation Start	<ul style="list-style-type: none"> <li>March 2006</li> </ul>	<ul style="list-style-type: none"> <li>March 2012</li> </ul>
Lenders	<ul style="list-style-type: none"> <li>Shinhan Bank, Shinhan Life and Chinese Industrial Commercial Bank</li> </ul>	<ul style="list-style-type: none"> <li>Shinhan Bank, Metlife Insurance , Allianz Life Insurance and Samsung Life Insurance</li> </ul>
Other		<ul style="list-style-type: none"> <li>Shinhan Bank (AAA rating) guarantees interest &amp; principal of Tranche II up to KRW 21.6bn</li> <li>MKIF acts as sub-guarantor up to KRW 8.0bn only in the event of Shinhan Bank default</li> </ul>

## Subordinated Loan Major Terms

Lender	Existing Shareholders
Facility Amount	KRW 26.6bn
Maturity	January 2027
Interest Rate	20.0% p.a.

1. Based on market rate as at 11 December 2008 – 91-day CD rate: 4.75% and 3yr Corp A+ rate: 8.71%

2. Interest rate swap for floating rate tranches under consideration

# Appendix 3 – Concession Agreement revisions



Concession Agreement Major Changes	Before	After
Revenue Guarantee Threshold	85% of CA forecast revenue (Revenue)	79% (78%) <sup>1</sup> of Revenue
Revenue Redemption		
79% (78%) <sup>1</sup> ~ 85%	NA	100% of excess Revenue above 79% (78%) <sup>1</sup>
90% ~ 97%	40% of excess Revenue above 90%	40% of excess Revenue above 90%
97% ~ 103%	60% of excess Revenue above 97%	60% of excess Revenue above 97%
103% ~ 110%	80% of excess Revenue above 103%	80% of excess Revenue above 103%
110% ~	100% of excess Revenue above 110%	100% of excess Revenue above 110%
Benefit Sharing in Future Refinancing(s)	Yes	Yes

1. 79% up to 2023 and 78% from 2024 to 2034

# Appendix 4 – Interest rate trend in Korea



JUNE 2006 ~ DECEMBER 2008

