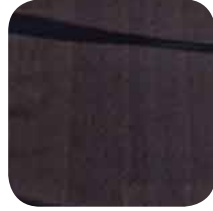
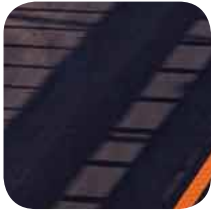
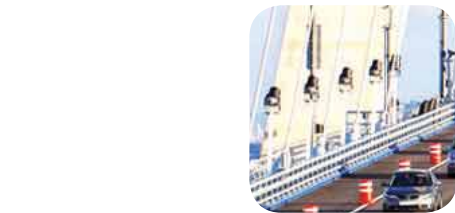


MACQUARIE KOREA INFRASTRUCTURE FUND 2012 ANNUAL REPORT



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This annual report provides an overview of Macquarie Korea Infrastructure Fund (MKIF)'s investment and operating activities for the 12 months from 1 January 2012 to 31 December 2012, as well as information on the performance of MKIF's assets. It also includes the audited non-consolidated financial statements for the year.

About Macquarie Korea Infrastructure Fund¹

The largest portfolio of toll roads in Asia

EXCHANGE	SECURITIES ON ISSUE	MARKET CAPITALISATION
KRX - 088980.KS LSE - MKIF.LI	331,459,341	KRW 2.27 trillion (US\$ 2.13 billion ²)
INTERNATIONAL SHAREHOLDER	# OF SHAREHOLDERS	MANDATE
Internationally diversified with circa 21% of shareholding	~ 9,500 shareholders	To invest in infrastructure assets in Korea as defined under PPI Act ³
INVESTMENTS	WEIGHTED AVERAGE AGE OF ASSETS	SERVICES
13 businesses	6.4 years	~ 680,000 people per day

1. As at 31 December 2012

2. 1 USD = 1,063.75 KRW as of 31 December 2012

3. Private Participation in Infrastructure Act (PPI Act) defines infrastructure sectors including roads, railways, ports, energy, airport, communication, water resources, etc.

MKIF Profile

PROFILE

Established in December 2002, MKIF's mandate is to invest in concession companies that construct and operate infrastructure assets in Korea. MKIF invests in these concession companies through equity and debt and aims to deliver stable and predictable returns to the shareholders. To date, MKIF has deployed circa KRW 1.7 trillion in 13 concession companies of which 12 companies benefit from Minimum Revenue Guarantees (MRG) from central, provincial or city government bodies of Korea. All assets in MKIF portfolio are now in operation, and as a group, the remaining weighted average concession period, in terms of investment size, is over 22.8 years.

MKIF's strategy is implemented by its manager, Macquarie Korea Asset Management Co., Ltd. (MKAM). MKAM is incorporated in Korea and is a wholly owned subsidiary of Macquarie Group Limited. MKAM benefits from the expertise and experience of Macquarie Group in the execution and management of diverse range of infrastructure investments.

STRATEGY

MKIF aims to generate attractive returns for its shareholders through a combination of capital growth and cash yield. As the largest infrastructure investor in Korea with extensive track record and expertise in the sector, MKIF is well placed to source attractive investment opportunities and managing the assets through the lifecycle. The value creation through asset lifecycle comes from having hands-on approach to managing the individual assets, disciplined and proactive capital and cashflow management at both MKIF and asset level.

INVESTMENT CRITERIA

To make further investment, MKIF will review whether the new infrastructure businesses are accretive to its portfolio:

- likely to generate long term, inflation-adjusted revenue streams
- opportunity to increase leverage or refinance debt to optimise MKIF's financial returns
- MKIF to exercise significant influence or control over key strategic, commercial and financial functions
- align with MKIF's corporate governance framework and
- may benefit from stable cashflow under the PPI Act.



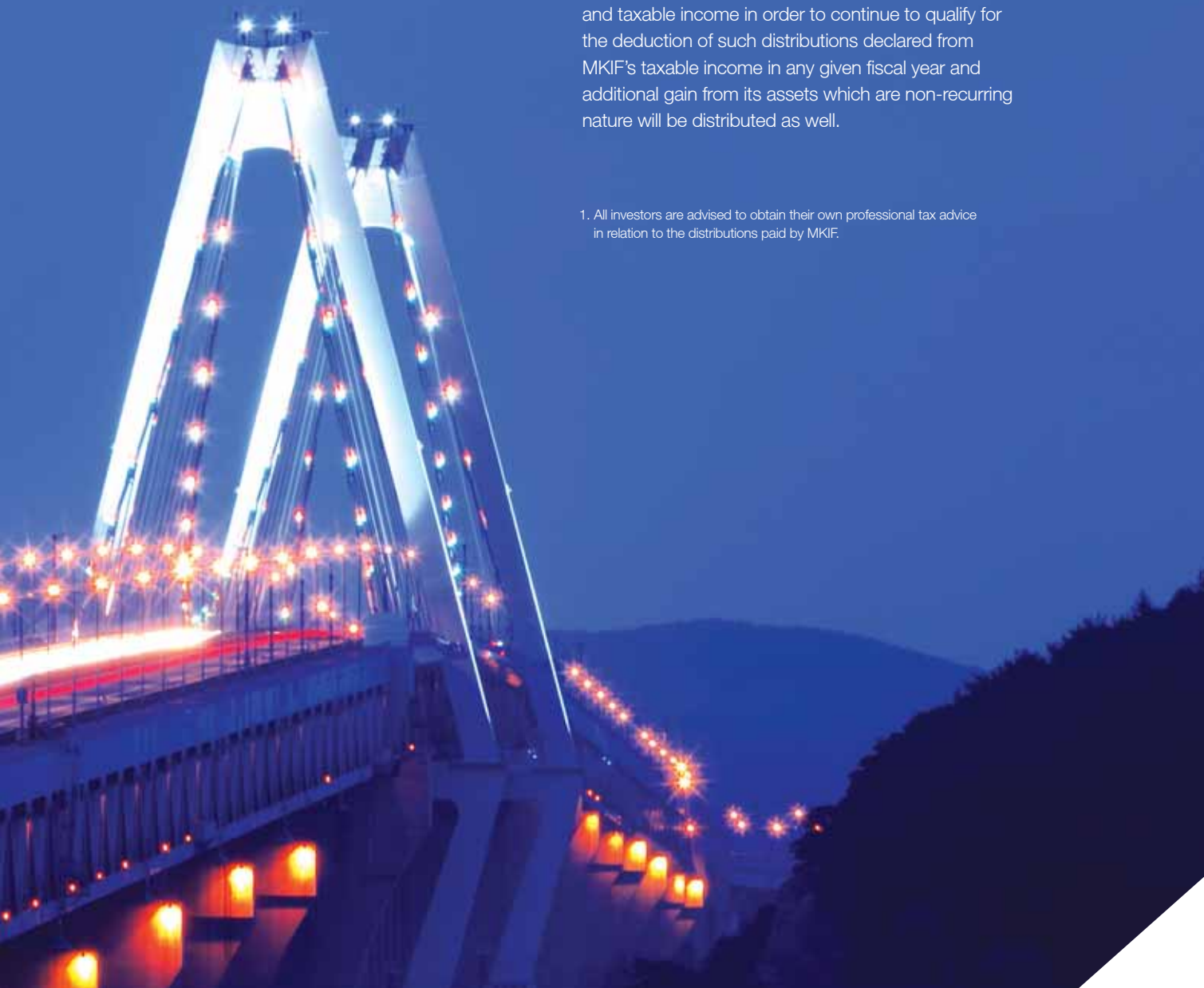


DISTRIBUTION POLICY

MKIF declares and makes distributions to its shareholders on a semi-annual basis, as for the first half ended in 30 June and the second half ended in 31 December, subject to the MKIF Board of Directors approval.¹

As an investment company under Financial Services and Capital Market Act, MKIF is entitled to deduct from its taxable income the amount of distributions declared in respect of a financial year, provided that the amount of such dividend/distribution is equal to 90 per cent or more of MKIF's distributable income for such year. MKIF intends to declare and distribute higher amount of 100 per cent of its accounting distributable income and taxable income in order to continue to qualify for the deduction of such distributions declared from MKIF's taxable income in any given fiscal year and additional gain from its assets which are non-recurring nature will be distributed as well.

1. All investors are advised to obtain their own professional tax advice in relation to the distributions paid by MKIF.



Letter to Shareholders

Dear Shareholders,

Last year marks the tenth anniversary of MKIF and I would like to extend my sincere gratitude for your ongoing support for MKIF and its underlying businesses. Over the past ten years, MKIF has developed into the largest and one of the most successful investors in the Korean PPI space today, having the largest portfolio of toll roads in Asia and becoming a top 100 listed company on the Korea Exchange in terms of market capitalisation. We are very pleased with many of the milestone achievements which MKIF has made along the way, particularly the first time footprints in Korea as a listed infrastructure fund, at which time, delivering significant returns to the entry investors, one of the first to have invested and managed greenfield investments, and the first to have successfully accessed the Korean debt capital markets. Overall, MKIF to date has delivered what it has originally intended, and I believe that with your continued support, we can bring another decade of success.

MKIF starts the next decade strongly positioned, after having undergone many successful capital management initiatives that has strengthened MKIF's balance sheet position to be able to provide sustainable, growing distributions to the shareholders. The divestment of Daegu 4th Beltway in June last year marks the last of such initiative and we expect natural distribution convergence in next two to three years as the asset-level debt continues as scheduled. MKIF also has been able to manage its debt position effectively by implementing a number of smart refinancing measures well ahead of debt maturities, resulting in a significant decline in costs and delaying the refinancing needs further into the future. Also, with last year's operational commencement of Busan New Port, Phase 2-3 (BNP 2-3), MKIF is now a fully de-risked portfolio in terms of construction risks. The underlying investments have performed generally well in line with expectation last year and we do not expect a material change in the trend.

There are also challenges ahead. There has been increasing pressure from the local governments under budgetary constraints to renegotiate the concession terms of some of MKIF's investments, and this has resulted in legal confrontations in the courts. While we believe that MKIF has strong contractual rights over these concessions and expect favorable outcome, we will also engage local authorities in good faith to explore mutually beneficial solutions. Also, while BNP 2-3 is gaining a strong volume momentum, it is a major part of MKIF that is also economically very sensitive. MKIF therefore maintains a cautious outlook on the business and will continue to be proactively involved in safeguarding the financial position.

Overall, the fundamental value of MKIF's portfolio is intact and we do not expect material changes in the performance of MKIF. MKIF is on track with its distribution outlook and remains financially strong to withstand market headwinds if that were to occur.

On behalf of the Manager and MKIF Board, I would like to thank you for your ongoing support and interest in MKIF and look forward to bringing you more positive developments throughout the year.



Chul Hum Paik
Representative Director
Macquarie Korea Asset Management
Co., Ltd.
Corporate Director and Asset Manager of
Macquarie Korea Infrastructure Fund

2012 Highlights



SOLID FINANCIAL AND TRAFFIC RESULTS

- Excluding one-offs, MKIF revenue and net income increased by 6.7% and 15.3%, respectively compared with the previous corresponding period (pcp)
- Underlying traffic volume¹ and revenue¹ grew by 2.9% and 6.9%, respectively, on pcp
- Weighted average daily traffic for the four newly opened assets² reached 78%³ of the Concession Agreement Forecasts, significantly lowering dependence on MRG

DELIVERED A VALUE-CREATIVE TRANSACTION

- Divested entire equity and subordinated debt interest in Daegu 4th Beltway East, realising one-off capital gain of KRW 34.3 billion⁴
- The total net cash proceeds of KRW 123.8 billion from the transaction used to repay MKIF's corporate level debt

OUTLOOK ON BUSAN NEW PORT 2-3 REMAINS CAUTIOUSLY OPTIMISTIC

- Successful vessel callings continuing from two Terminal Sharing Partners, CMA CGM and KMTCC
- Secured new customers including Maersk, Mediterranean Shipping Company and Orient Overseas Container Line
- Volume migration from the Busan Old Port continues with BNP's market share of container volume in Busan area reaching 60% as of December 2012

REMAINS FINANCIALLY HEALTHY WITH A CONSERVATIVE DEBT POSITION

- Proportional cash balance of KRW 246.2 billion including MKIF cash of KRW 20.8 billion
- Continued de-gearing of asset level debt with average maturity of 8.3 years, a decrease of 0.3 years on pcp
- No external debt refinancing required until May 2016
- Proportionately consolidated gearing of 40%⁵, compared with 49% in pcp, with 69%⁶ of interest obligations fixed

1. On a weighted average basis based on revenue size of each asset and the MKIF's equity interest in each concession company

2. Yongin-Seoul Expressway, Seoul-Chuncheon Expressway, Seoul Subway Line 9 and Incheon Grand Bridge

3. On a weighted average basis based on total commitment amount and average daily traffic

4. Including subordinated loan prepayment fee of KRW 0.64 billion. Before taking out of securities transfer tax of KRW 0.5 billion

5. Gearing = Proportionately consolidated MKIF Net Debt / (Proportionately consolidated MKIF Net Debt + MKIF market capital (3-month average))

6. Hedging (Fixed) = Proportionately consolidated MKIF net debt adjusted for fixed debt / Proportionately consolidated MKIF net debt

Performance Review

FINANCIAL SUMMARY¹

(KRW million)

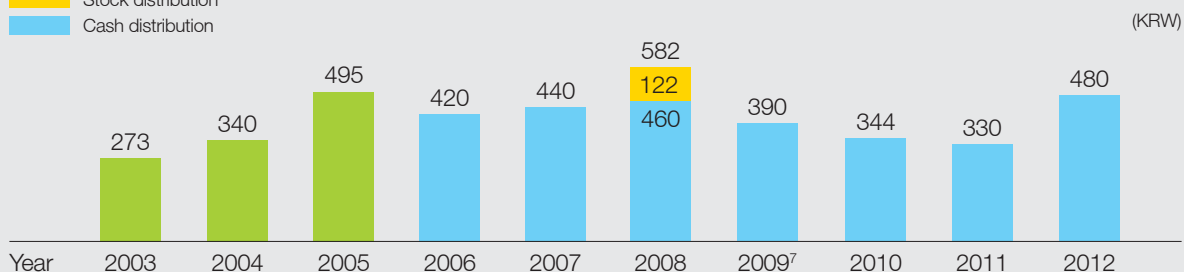
	FY 2012	FY 2011	FY 2010
Revenue	205,749 ²	162,426 ³	166,275 ⁴
Expense	51,626	56,842	54,833
Net income	154,123	105,584	111,442
Normalised ⁵ net income	120,972	104,962	96,554
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
Invested assets	1,691,108	1,869,892	1,848,587
Liabilities	343,090	440,838	369,164
Total shareholders' equity	1,712,193	1,685,682	1,695,777
Total liabilities and shareholders' equity	2,055,283	2,126,520	2,064,941

DISTRIBUTION (PER SHARE)

(KRW)

	FY 2012	FY 2011	FY 2010
EPS	465	319	336
Cash distribution	480	330	344
Share distribution	-	-	-
Total outstanding shares	331,459,341	331,459,341	331,459,341
Cash yield ⁶	7.0%	6.6%	7.1%

■ Distribution prior to IPO
■ Stock distribution
■ Cash distribution



1. On a non-consolidated basis
2. Includes gain on the sale of equity in Daegu 4th Expressway East
3. Includes gain on the 3rd Tranche securitisation of the interest receivables on the subordinated loan provided to Cheonan-Nonsan Expressway
4. Includes special gains on (1) divestment of the subordinated loan provided to Seosuwon-Osan-Pyungtaek Expressway (2) the 2nd Tranche securitisation of the interest receivables on the subordinated loan provided to Cheonan-Nonsan Expressway and (3) partial equity sale and capital restructuring of Machang Bridge
5. Excluding one-off gains and losses
6. Based on the closing price of each year and the total distribution declared
7. Distribution reduced to align closely of earning



MKIF achieved solid operational and financial results proving defensive nature in challenging conditions

ANNUAL TRAFFIC AND REVENUE GROWTH

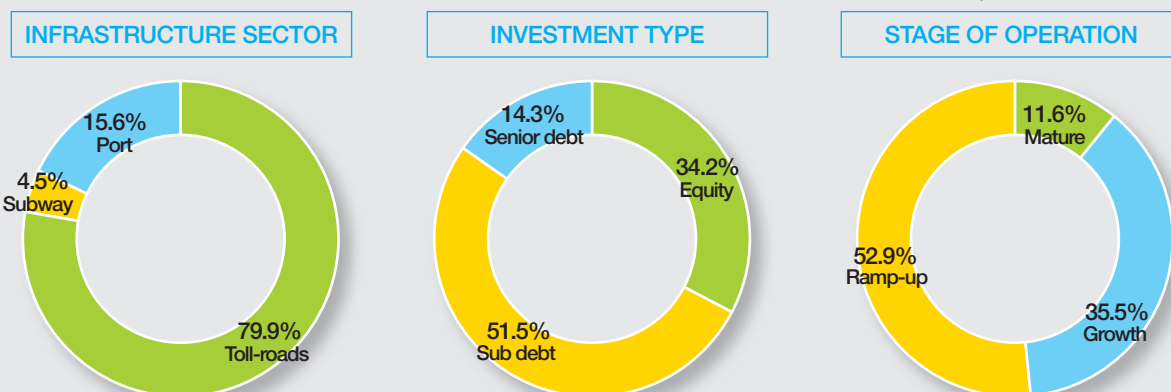
Asset	Average daily traffic volume	Average daily traffic revenue
Incheon International Airport Expressway	2.2%	3.9%
Baekyang Tunnel	(0.3%)	(1.4%)
Gwangju 2 nd Beltway, Section 3-1	(3.9%)	8.3%
Gwangju 2 nd Beltway, Section 1	1.4%	2.4%
Woomyunsan Tunnel	(7.2%)	14.7%
Cheonan-Nonsan Expressway	4.7%	7.9%
Soojungsan Tunnel	(0.8%)	(3.0%)
Machang Bridge	(1.5%)	6.8%
Yongin-Seoul Expressway	4.6%	11.3%
Seoul-Chuncheon Expressway	2.1%	7.5%
Seoul Subway Line 9 Section 1	14.2%	27.4%
Incheon Grand Bridge	4.1%	6.1%
Weighted average¹	2.9%	6.9%

1. On a weighted average basis based on revenue size of each asset and the MKIF's equity interest in each concession company.

Portfolio

MKIF's portfolio delivers stable and predictable returns on infrastructure investments in Korea

(As of 31 December 2012)

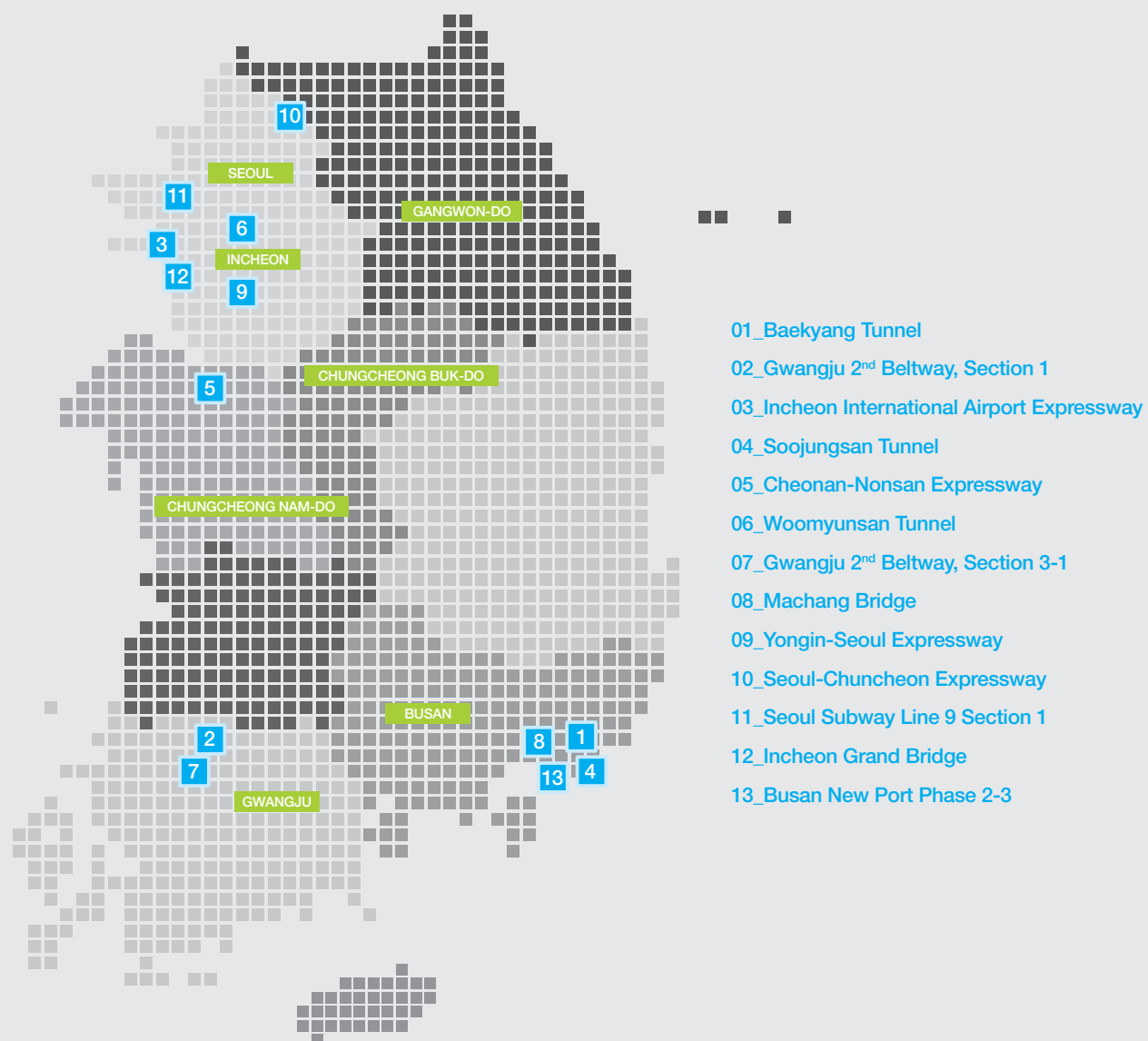


(KRW billion, %)

Name	Equity	Ownership (%)	Subordinated Debt	Senior Debt	Total
01_Baekyang Tunnel	1.2	100.0	-	1.5	2.7
02_Gwangju 2 nd Beltway, Section 1	13.1	100.0	35.2 ¹	142.0	190.3
03_Incheon International Airport Expressway	58.2	24.1	51.7	-	109.9
04_Soojungsan Tunnel	47.1	100.0	19.3	43.1	109.5
05_Cheonan-Nonsan Expressway	87.8	60.0	182.2	-	270.0
06_Woomyunsan Tunnel	10.7	36.0	9.6	-	20.3
07_Gwangju 2 nd Beltway, Section 3-1	28.9	75.0	-	52.1	81.0
08_Machang Bridge	33.8	70.0	79.0	-	112.8
09_Yongin-Seoul Expressway	57.8	35.0	77.0	-	134.8
10_Seoul-Chuncheon Expressway	48.6	15.0	87.4	-	136.0
11_Seoul Subway Line 9 Section 1	40.9	24.5	33.5	-	74.4
12_Incheon Grand Bridge	74.5	41.0	89.4	-	163.9
13_Busan New Port Phase 2-3	66.4	30.0	193.0	-	259.4
Total	569.0		857.3	238.7	1,665.0
Percentage (%)	34.2%		51.5%	14.3%	100%

1. Includes KRW 3.2 billion working capital facility

MKIF's portfolio is well balanced and diversified with a broad geographic spread throughout Korea



Yongin-Seoul Expressway

ASSET DESCRIPTION

22.9 km, dual two to three-lane tolled expressway, developed to ease traffic congestion on the Suwon-Seoul section of the Seoul-Busan Highway, which is one of the most heavily travelled expressway in Metropolitan Seoul



- **Concession Company:** Gyungso Highway Co., Ltd.
- **Opened:** July 2009
- **Concession Term:** 30 years to 2039
- **MRG Period:** 10 years
- **Relevant Authority:** Ministry of Land, Transport and Maritime Affairs
- **Total Commitment:** KRW 134.8 billion
- **Proportion of MKIF Portfolio¹:** 8.1%

Tunnel	Bridge	Interchange
10	6	6

TRAFFIC AND REVENUE

Category	2011	2012
Average daily traffic (vehicles/day)	63,199	66,090
Average daily revenue (1,000 won)	101,810	113,291

1. Based on the total MKIF investment commitment to all investments in the portfolio

* The level of traffic volume in 2012: 75.7% of Concession Agreement forecast



Seoul-Chuncheon Expressway

ASSET DESCRIPTION

61.4 km, dual two to three-lane toll expressway providing a link between Seoul and Gangwon province, a leading tourist destination in Korea



- **Concession Company:**
Seoul-Chuncheon Highway Co., Ltd.
- **Opened:** July 2009
- **Concession Term:** 30 years to 2039
- **MRG Period:** 15 years
- **Relevant Authority:** Ministry of Land, Transport and Maritime Affairs
- **Total Commitment:** KRW 136.0 billion
- **Proportion of MKIF Portfolio:** 8.2%

Tunnel

41

Bridge

103

Interchange

9

TRAFFIC AND REVENUE

Category	2011	2012
Average daily traffic (vehicles/day)	38,397	39,190
Average daily revenue (1,000 won)	222,644	239,366

* The level of traffic volume in 2012: 79.7% of Concession Agreement forecast



Seoul Subway Line 9, Section 1

ASSET DESCRIPTION

25.5 km, subway line providing regular and express service east-west along the southside of the Han River, running from Gimpo Airport to Gangnam, through major business and residential districts of Seoul



- **Concession Company:** Seoul Metro Line 9 Co., Ltd.
- **Opened:** July 2009
- **Concession Term:** 30 years to 2039
- **MRG Period:** 15 years
- **Relevant Authority:** Seoul Metropolitan Government
- **Total Commitment:** KRW 74.4 billion
- **Proportion of MKIF Portfolio:** 4.5%

Station	Transfer Station	Total Rolling Stocks
25	6	144 cars

TRAFFIC AND REVENUE

Category	2011	2012
Average daily initial boarding ¹ (passengers/day)	194,630	222,320
Average daily revenue (1,000 won)	137,418	175,074

1. Excludes inter-change passengers

* The level of initial boarding in 2012: 103.8% of Concession Agreement forecast



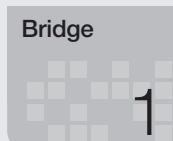
Incheon Grand Bridge

ASSET DESCRIPTION

12.3 km, dual three-lane tolled bridge which connects Incheon International Airport to the rapidly developing commercial area of New Songdo City in the Incheon Free Economic Zone



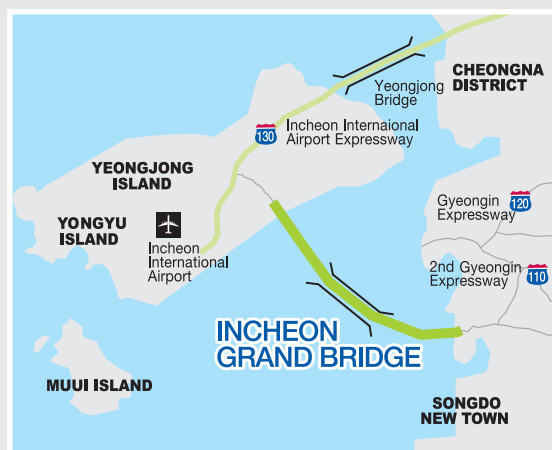
- **Concession Company:** Incheon Bridge Co., Ltd.
- **Opened:** October 2009
- **Concession Term:** 30 years to 2039
- **MRG Period:** 15 years
- **Relevant Authority:** Ministry of Land, Transport and Maritime Affairs
- **Total Commitment:** KRW 163.9 billion
- **Proportion of MKIF Portfolio:** 9.8%



TRAFFIC AND REVENUE

Category	2011	2012
Average daily traffic (vehicles/day)	27,440	28,571
Average daily revenue (1,000 won)	135,856	144,084

* The level of traffic volume in 2012: 67.3% of Concession Agreement forecast



Machang Bridge

ASSET DESCRIPTION

1.7 km, dual two-lane, cable stayed bridge, providing a bypass for vehicles travelling the west bank and the east bank of Changwon city that shortens the coastal route between Busan and southwestern areas in Gyung-sangnam-do Province



- **Concession Company:** Machang Bridge Co., Ltd.
- **Opened:** July 2008
- **Concession Term:** 30 years to 2038
- **MRG Period:** 30 years
- **Relevant Authority:** Gyung-sangnam Provincial Government
- **Total Commitment:** KRW 112.8 billion
- **Proportion of MKIF Portfolio:** 6.8%

Bridge

1

TRAFFIC AND REVENUE

Category	2011	2012
Average daily traffic (vehicles/day)	15,715	15,485
Average daily revenue (1,000 won)	28,358	30,295



Incheon International Airport Expressway

ASSET DESCRIPTION

40.2 km, dual three to four-lane expressway link between Yeongjong Island, site of the Incheon International Airport to Korea's capital, Seoul



- **Concession Company:** New Airport Hiway Co., Ltd.
- **Opened:** December 2000
- **Concession Term:** 30 years to 2030
- **MRG Period:** 20 years
- **Relevant Authority:** Ministry of Land, Transport and Maritime Affairs
- **Total Commitment:** KRW 109.9 billion
- **Proportion of MKIF Portfolio:** 6.6%

Tunnel

1

Bridge

2

TRAFFIC AND REVENUE

Category	2011	2012
Average daily traffic (vehicles/day)	51,815	52,970
Average daily revenue (1,000 won)	325,454	338,043



Gwangju 2nd Beltway, Section 3-1

ASSET DESCRIPTION

3.5 km, dual three-lane tolled expressway running east-west along the southern edge of Gwangju, Korea's fifth largest city

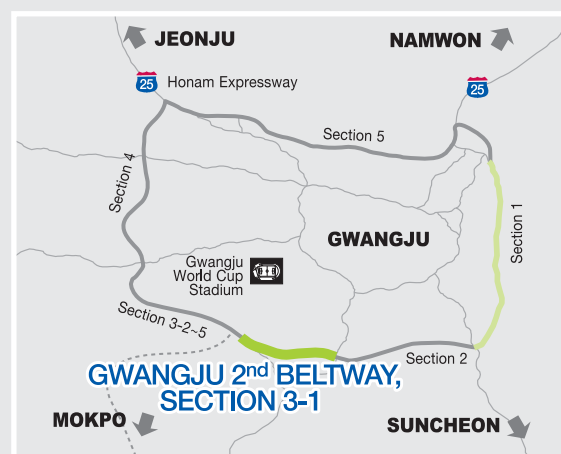


- **Concession Company:**
Kwangju Ring Road Co., Ltd.
- **Opened:** December 2004
- **Concession Term:** 30 years to 2034
- **MRG Period:** 30 years
- **Relevant Authority:** Gwangju Metropolitan City
- **Total Commitment:** KRW 81.0 billion
- **Proportion of MKIF Portfolio:** 4.9%

Tunnel	Bridge	Interchange
2	2	1

TRAFFIC AND REVENUE

Category	2011	2012
Average daily traffic (vehicles/day)	36,185	34,770
Average daily revenue (1,000 won)	32,066	34,731



Woomyunsan Tunnel

ASSET DESCRIPTION

3.0 km, dual lane tolled tunnel running underneath Mount Woomyun, providing a direct route between the Seoul suburbs, Kwachon and Anyang



- **Concession Company:**
Woomyunsan Infraway Co., Ltd.
- **Opened:** January 2004
- **Concession Term:** 30 years to 2034
- **MRG Period:** 30 years
- **Relevant Authority:** Seoul Metropolitan Government
- **Total Commitment:** KRW 20.3 billion
- **Proportion of MKIF Portfolio:** 1.2%

Tunnel

1

TRAFFIC AND REVENUE

Category	2011	2012
Average daily traffic (vehicles/day)	27,055	25,105
Average daily revenue (1,000 won)	47,348	54,287



Cheonan-Nonsan Expressway

ASSET DESCRIPTION

81.0 km, dual two-lane toll expressway connecting Cheonan on the Gyeongbu Expressway to Nonsan on the Honam Expressway



- **Concession Company:**
Cheonan Nonsan Expressway Co., Ltd.
- **Opened:** December 2002
- **Concession Term:** 30 years to 2032
- **MRG Period:** 20 years
- **Relevant Authority:** Ministry of Land, Transport and Maritime Affairs
- **Total Commitment:** KRW 270.0 billion
- **Proportion of MKIF Portfolio:** 16.1%

Tunnel

2

Bridge

44

Interchange

7

TRAFFIC AND REVENUE

Category	2011	2012
Average daily traffic (vehicles/day)	41,444	43,380
Average daily revenue (1,000 won)	320,375	345,817



Soojungsan Tunnel

ASSET DESCRIPTION

2.3 km, dual two-lane tolled tunnel located in Busan, Korea's second largest city. Soojungsan Tunnel serves as an important connection through Busan central business district, Busan's port area which is the largest port in Korea and the northern and western residential areas including Gimhae International Airport



- **Concession Company:**
Soojungsan Investment Co., Ltd.
- **Opened:** April 2002
- **Concession Term:** 25 years to 2027
- **MRG Period:** 25 years
- **Relevant Authority:** Busan Metropolitan City
- **Total Commitment:** KRW 109.5 billion
- **Proportion of MKIF Portfolio:** 6.6%

Tunnel

1

TRAFFIC AND REVENUE

Category	2011	2012
Average daily traffic (vehicles/day)	42,861	42,497
Average daily revenue (1,000 won)	32,080	31,105



Baekyang Tunnel

ASSET DESCRIPTION

2.3 km, dual two-lane tolled tunnel that runs underneath Baekyang Mountain in Busan city, providing a link through the Busan central business district, Busan port and the northern and western residential areas including Gimhae International Airport



- **Concession Company:** Baekyang Tunnel Ltd.
- **Opened:** January 2000
- **Concession Term:** 25 years to 2025
- **MRG Period:** 25 years
- **Relevant Authority:** Busan Metropolitan City
- **Total Commitment:** KRW 2.7 billion
- **Proportion of MKIF Portfolio:** 0.2%

Tunnel

1

TRAFFIC AND REVENUE

Category	2011	2012
Average daily traffic (vehicles/day)	71,001	70,819
Average daily revenue (1,000 won)	51,523	50,825



Gwangju 2nd Beltway, Section 1

ASSET DESCRIPTION

5.6 km, dual three-lane tolled expressway running from the Gwangju Dooam Interchange to the Sotae Interchange outside the city of Gwangju, Korea's fifth largest city



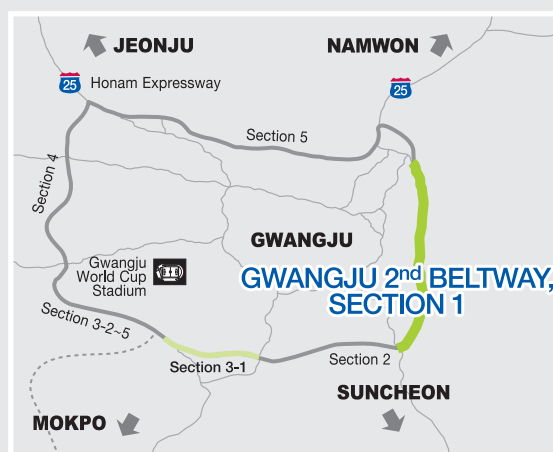
- **Concession Company:**
Kwangju Beltway Investment Co., Ltd.
- **Opened:** January 2001
- **Concession Term:** 28 years to 2028
- **MRG Period:** 28 years
- **Relevant Authority:** Gwangju Metropolitan City
- **Total Commitment:** KRW 190.3 billion¹
- **Proportion of MKIF Portfolio:** 11.4%

1. Includes KRW 3.2 billion working capital facility

Tunnel	Bridge	Interchange
4	10	2

TRAFFIC AND REVENUE

Category	2011	2012
Average daily traffic (vehicles/day)	37,414	37,930
Average daily revenue (1,000 won)	38,825	39,760



Busan New Port Phase 2-3

ASSET DESCRIPTION

Independent full-service container terminal with an initial capacity of about 1.8 million Twenty-foot-Equivalent Units (TEUs), going up to 2.7 million TEU by 2014



KEY OPERATIONAL HIGHLIGHTS

- Construction completed on time and on budget, commencing operation in January 2012
- Despite the slow ramp-up in the first half of 2012, Busan New Port Phase 2-3 (BNP 2-3) has secured annualised volume of 1.3 million TEUs for next 12 months
- In addition to the two long-term Terminal Sharing Agreement partners, CMA CGM and KMTTC, BNP 2-3 successfully completed vessel callings for new carriers including Maersk, Mediterranean Shipping Company (MSC) and Orient Overseas Container Line (OOCL)
- Due to unexpected calling delay from some major vessels in the 4th quarter, total volume for 2012 was 0.5 million TEUs, shy of our previous forecast of 0.6 million TEUs
- Volume migration from the Busan Old Port continues with BNP 2-3's market share of container volume in Busan area reaching 60% as of December 2012
- Total volume is forecasted to reach 1.6 million TEUs in FY2013, reaching close to 90% of the current capacity of 1.8 million TEUs
- Cash management continues to be a key management priority during the ramp-up phase

■ **Concession Company:** BNCT Co., Ltd.

■ **Opened:** January 2012

■ **Concession Term:**
29 years 3 months to 2041

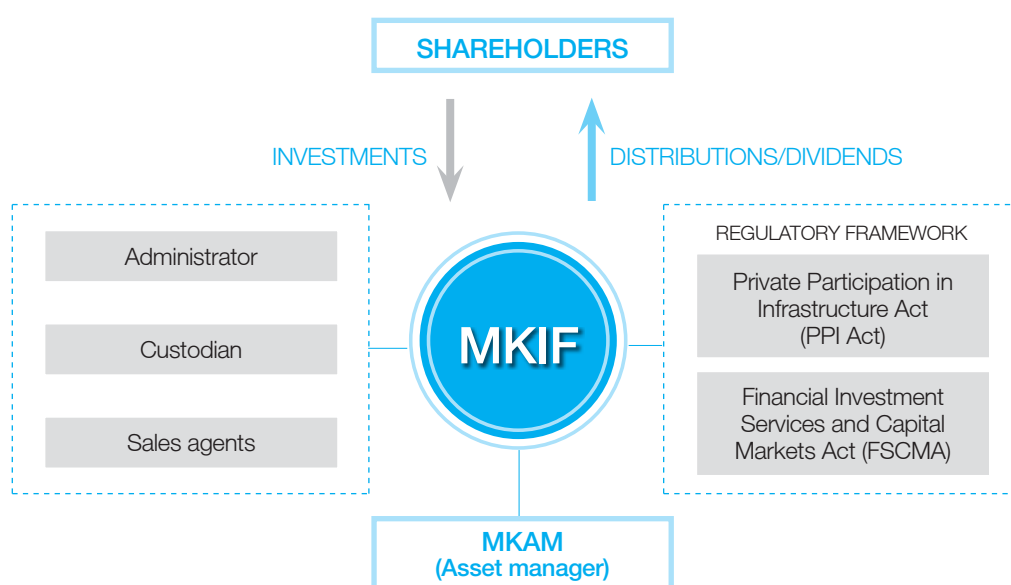
■ **Relevant Authority:** Ministry of Land,
Transport and Maritime Affairs

■ **Total Commitment:** KRW 259.4 billion

■ **Proportion of MKIF Portfolio:** 15.6%

Corporate Governance Statement

MKIF'S STRUCTURE



LEGAL FRAMEWORK

MKIF operates under the legal and regulatory framework established by the Financial Investment Service and Capital Market Act (FSCMA), and the Private Participation in Infrastructure Act (PPI Act). MKIF is required under FSCMA to appoint an asset manager, a custodian, an administrator and a sales agent (collectively the "Service Providers").

MKIF is externally managed by Macquarie Korea Asset Management Co., Ltd. (MKAM), which was appointed as MKIF's sole and exclusive manager pursuant to a management agreement. MKAM is incorporated in Korea and is a wholly owned subsidiary of Macquarie Group Limited.

MKIF BOARD OF DIRECTORS

The MKIF Board of Directors, comprising a majority of independent supervisory directors, is responsible for overseeing MKIF operations, monitoring MKIF business affairs (including overseeing the performance of the asset manager and other service providers), capital management (including share issues) and approving and monitoring financial and other reporting. The Board is required to act in the best interests of MKIF and its shareholders.

The Board is currently comprised of four directors: one corporate director and three supervisory directors. Under FSCMA and MKIF's Articles of Incorporation (AOI), MKIF is required to have at least one corporate director at all times. In accordance with FSCMA, MKIF's

Corporate Governance Statement

manager, MKAM is the corporate director and will appoint one of its officers or employees as its representative on the MKIF Board. MKAM represents, manages and conducts the business of MKIF and must report to the MKIF Board the status of business conduct and asset management at least once every quarter.

The directors are appointed by the shareholders at a general meeting held in accordance with MKIF's AOI. Pursuant to the Korean Commercial Code and MKIF's AOI, the maximum length of a director's term of office is three years, after which the director can stand for reappointment.

However, under the FSCMA that came into effect in 2009 the term of corporate director was changed to the dissolution of MKIF from three years. Board meetings are held at least once every quarter. Directors are provided with board papers in advance of each meeting to enable informed discussion of agenda items.

The supervisory directors may request the corporate director or any of MKIF's service providers to report to the Board the status of MKIF business or assets whenever the supervisory directors deem necessary.

The Board has the right to decide the following matters:

- Execution and/or termination of the Management Agreement, Custodian Agreement, Sales Agency Agreements and Administration Agreement;
- Convening general meetings of shareholders;
- Issuance of new shares;
- Payment of expenses or fees (or commissions) payable to service providers in connection with the management, custody or distribution of MKIF assets, the administration of MKIF or other services;
- Matters relating to the allocation of distributions either in the form of cash or shares; and
- Any matters which require the resolution of the MKIF

Board under the MKIF AOI, FSCMA, or other relevant legislation and regulations.

MKAM, as Manager, is a corporate director. The current supervisory directors of MKIF are as follows:

Dae Yun Cho

Reappointed as MKIF Supervisory Director in March 2010 (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
- 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
- Former President of the International Association of Korean Lawyers

Kyung Soon Song

Reappointed as MKIF Supervisory Director in March 2011 (Initially appointed in March 2005)

- Founding Representative Director of Korea Expert Consulting Group (KECG)
- Consultant for Korea International Cooperation Agency (KOICA)
- Former Member of International Development Cooperation Committee of the Republic of Korea
- Former Chairman of International Finance Subcommittee, Financial Sector Development Review Committee of the Korean Government
- Former senior staff member of World Bank
- Former chief operating officer of Nomura Project Finance International Limited

Dae Hee Yoon

Appointed as MKIF Supervisory Director in March 2011

- Head of the Knowledge Sharing Program (KSP) promoted by the Korean government

- Chair Professor in Economics, Gachon University
- Former Minister of the Government Policy Coordination Office
- Former Senior Secretary of Economic Affairs at Presidential Office
- Former Deputy Minister for Planning and Management at Ministry of Strategy and Finance

MKIF'S APPROACH TO CORPORATE GOVERNANCE

The MKIF Board is committed to achieving sustainable financial performance for the benefit of MKIF security holders, while meeting the expectations of all stakeholders for responsible corporate governance. Accordingly, the Board has established clear corporate governance arrangements for MKIF, including delegation of responsibilities to MKAM and other service providers. The Board monitors these delegations, and periodically reviews the effectiveness of arrangements to ensure they are in the best interest of MKIF and its security holders.

MKIF relies extensively on its corporate director and asset manager, MKAM, for effective day-to-day control of MKIF's operations. This reliance is established by the Management Agreement, MKIF's AOI, and applicable Korean laws and regulations, which together give MKAM full authority with respect to the management of MKIF assets. Consequently, MKAM is an important component of MKIF's corporate governance framework. As an affiliate of the Macquarie Group Ltd. (Macquarie), MKAM has, to the extent possible and relevant, adopted the corporate governance framework that Macquarie Infrastructure and Real Assets (MIRA) applies to its funds management activities.

The requirements of the framework and its related policies are broadly consistent with the Macquarie Funds Management Policy (the Fund Policy). The Fund Policy is designed to maximise corporate performance and accountability in the interests of shareholders and

the broader economy, and address matters such as board structure, promotion of ethical and responsible decision-making, timely and balanced disclosure, recognition and management of risk, and recognition of the interests of stakeholders.

The MKIF and MKAM Boards have adopted fund management policies that are consistent with the principles contained in the Fund Policy, although they have been amended to take account of Korean legal and regulatory requirements. The policies address the following key areas:

- Risk management
- External communications
- Staff trading
- Conflict of interest management
- Auditor independence
- Employee conduct
- Health and safety
- Environmental and social responsibility management
- Related party transactions

MKAM BOARD OF DIRECTORS

The MKAM Board of Directors (MKAM Board) is responsible for establishing an effective corporate governance framework and MKAM management oversight, with a view to ensuring that MKAM performs its duties with due care and diligence in accordance with the management agreement. In particular, the Board is responsible for:

- considering and approving the submission of investment or divestment recommendations to MKIF
- setting objectives, goals and strategic direction for management, with a view to maximizing shareholder wealth
- the oversight of control and accountability systems
- ensuring MKAM is performing its functions and providing services to MKIF under the Management Agreement
- review and ratification of systems for risk

Corporate Governance Statement

management framework and internal compliance standards

- approving and monitoring financial and other reporting and
- setting the highest business standards and codes for ethical behaviour.

Board meetings are held at least quarterly or more frequently as required. Directors are provided with board papers in advance of each meeting to enable informed consideration of agenda items.

MKAM's current board of directors comprises three directors.

Chul Hum Paik

Reappointed as MKAM Representative Director in December 2012 (Initially appointed in December 2006)

- Representative Director of MKAM
- Former Head of the Financial Products division of Shinhan Macquarie Financial Advisory from 2001 to 2006
- Lead financial adviser to MKIF on its successful IPO and listing in March 2006
- Joined Shinhan Bank in 1993, with responsibilities for international banking and investment banking division

Jason Pak

Reappointed as MKAM Director in November 2011 (Initially appointed in June 2008)

- Chief Operating Officer of MKAM, responsible for portfolio/capital management and investor relations
- Joined Macquarie Group in 2003 and spent four years on the equity capital market and M&A advisory side with Macquarie Securities
- Worked over five years in the Corporate Finance division of KPMG, in Seoul and London on the M&A advisory side

Jong Hyuck Park

Appointed as MKAM Director in June 2010

- Head of Transaction Team of MKAM
- Infrastructure asset manager registered to the Korea Financial Investment Association (KOFIA)
- Joined Macquarie Group in 2007 with responsibilities for asset transactions

- Worked over 10 years mainly in Investment Banking Division of Kookmin Bank

SHAREHOLDER INFORMATION AND DISCLOSURE

It is MKIF's policy to provide timely, open and accurate information to shareholders. Shareholders will be informed to the release of MKIF's annual report, audit report and financial statements and other regular reports. These reports will keep shareholders informed of MKIF's performance.

FSCMA requires MKAM to provide a quarterly asset management report on the MKIF website, and an annual and quarterly business report to the Financial Service Commission (FSC) and the Korea Financial Investment Association (KOFIA). The FSC and KOFIA are responsible for disclosure of the reports to investors under the FSCMA.

MKIF is required to disclose information to investment markets in accordance with the regulations of the Korea Exchange and the London Stock Exchange.

COMPLIANCE

Under the FSCMA, MKAM, as MKIF's asset manager, is required to establish MKAM Board-approved internal control standards. Internal control standards are basic procedures and standards to be followed by MKAM's officers and employees when they perform their duties in order to observe relevant laws and regulations, manage the company's assets effectively, and protect its investors.

MKAM has appointed a compliance officer who is responsible for reviewing and monitoring the efficiency of compliance systems on an ongoing basis so that appropriate compliance procedures, staff education and board reporting arrangements are in place to enable observance of the internal control standards.

Environmental and Social Responsibilities Management



MKIF's environmental and social responsibilities are managed throughout the investment process through our asset selection, ongoing asset management and shareholder reporting

The Macquarie Group (Macquarie) manages a range of investment scheme within Macquarie Funds Group. MKIF is one of these schemes. Macquarie has made a public statement on corporate citizenship which is available on its website at www.macquarie.com.au/corporate-citizenship.

The commitment is based on Macquarie taking a long-term view of its business activities and acknowledging the importance of good custodianship to the communities in which it operates.

As set out on Macquarie's website, this commitment is underpinned by:

- a clear expectation of ethical behaviour from all Macquarie staff, which has been adopted by MKIF

and which is set out in MKIF's code of conduct and - a robust framework of policies including those relevant to environmental, social and governance responsibilities.

RESPONSIBILITY

All Macquarie staff, including those working on behalf of MKIF, have a collective responsibility to ensure that Macquarie continues to be a good corporate citizen. MKIF's manager is supported in this by Macquarie's integrity, equal employment and sustainability and environment officers, and the risk management group.

Macquarie staff may also contribute their time, expertise and/or finances to community organisations through the Macquarie Group Foundation.

Environmental and Social Responsibilities Management

MKIF

MKIF recognises that its investment in infrastructure and development and management of infrastructure investments may have environmental and social impacts. MKIF acknowledges that many people are touched by the activities of its investments' operations and will work to ensure their operations are conducted in an environmentally and socially responsible manner.

MKIF's environmental and social responsibility arises from the impact (both positive and negative) on natural resources, the community, customers, employees and investors by the operations of the fund and its investments.

MKIF's environmental and social responsibilities are managed throughout the investment process as follows:

- **Asset selection** - environmental and social responsibilities are reviewed as part of the acquisition due diligence process. Where they exist, regulatory obligations are viewed as minimum standards for environmental and social responsibility management post-acquisition
- **Ongoing asset management** - MKIF's ability to control or influence the ongoing environmental and social responsibility management at each asset differs based on its level of investment and the regulatory framework that governs those issues. Importantly, the regulatory framework is not controlled by MKIF or its assets.

In general, it is MKIF's policy to ensure compliance by its assets within the regulatory framework and the

minimum standards under which an asset operates and seek to apply accepted good practice.

Through participation on the Boards of concession companies, MKIF representatives actively participate in the consideration of environmental issues. Each concession company provides regular reports to its Board on environmental matters, and this enables compliance with environmental requirements to be monitored and environmental and social responsibility issues to be identified and resolved on a timely basis.

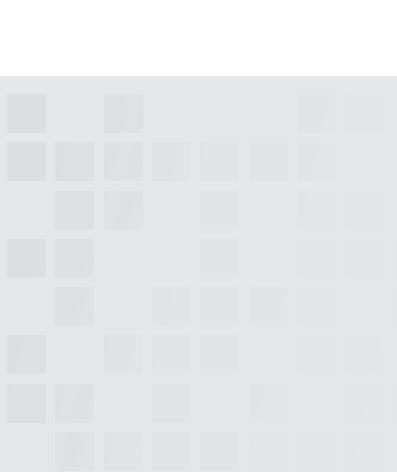
KEY ENVIRONMENTAL AND SOCIAL RESPONSIBILITY FACTORS

Following a review of the specific regulatory requirements and concession agreements related to each asset, MKIF has identified its key environmental and social responsibility factors as:

- Air quality
- Noise and other pollution
- Waste management
- Landscaping
- Flora and fauna management
- Occupational health and safety
- Recruitment and business contracting compliance
- Community relations

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY-RELATED REGULATORY REQUIREMENTS

MKIF is not aware of any significant breaches of relevant environmental and social responsibility-related regulatory standards by its assets during the year ended 31 December 2011.



ENVIRONMENTAL AND SOCIAL RESPONSIBILITY-RELATED INITIATIVES AT MKIF BUSINESSES DURING FY2012

Examples of notable environmental and social responsibility-related initiatives undertaken during 2012 at businesses in which MKIF invests include:

Seoul Chuncheon Expressway (SCE)

In its endeavor to fulfill corporate social responsibilities, SCE participates in a variety of community activities including sponsorships of local events, environment clean-up activities and donations for the underprivileged.

In 2012, SCE sponsored 'Wonkwang House', a local nursing home, as well as various events for the local residents of Nam-myeon, Chuncheon, including 'Hanmadang Festival' and parties for the elderly. Also, SCE has hosted 'Cleaning Day' once a month to preserve the environment around the expressway. Additionally, SCE made donations to local events for the underprivileged, including campaigns for rice and coal briquette donations, Salvation Army's 'Red Kettle Campaign' and joint wedding ceremony for released prisoners. SCE plans to increase their commitment to local communities this year, regularly providing support for adolescent heads of poor families and senior citizens living alone.

Yongin Seoul Expressway (YSE)

In a joint initiative with Yongin City, YSE built an under-bridge communal sports facility and a foot volleyball court for local residents. In addition, twice a year, all YSE staff went out on widespread garbage collecting duties to Gwanggyo Mountain located near the expressway, allowing local residents to enjoy pleasant hiking trips on the mountain.

Seoul Metro Line 9, Section 1 (SM9)

SM9 installed wind shielding doors at every station to conserve energy on heating and cooling. SM9 also introduced an energy recycling system on its rolling stocks where surplus electricity used for powering is stored and recycled; the system began operation in January 2013 after a final test run.

SM9 has been an active sponsor of local community events over the past several years. In November 2012, SM9 staff twice participated in making kimchi—a traditional staple commonly made with napa cabbage and spicy pepper seasoning—for the underprivileged and made donations to the event. In addition, SM9 provided support for students from poor families who cannot afford school uniforms, collected donations from the staff to sponsor the 'Happy Homeschool' campaign hosted by Korea Food for the Hungry International, sent out staff volunteer groups to help with home repairs for low-income households, and provided assistance to job rehabilitation centers for the disabled.

Cheonan-Nonsan Expressway (CNE)

In 2012, CNE served its duties as a responsible corporate citizen by making regular visits to Woori Welfare Center—a nursing home for the severely disabled, located in Tanchon-myeon, Gongju—and helped with facility repairs, gave baths to the residents and took them on a picnic to a zoo in Daejeon. Additionally, CNE regularly provided supplies to Saewoomtuh—a shelter in Gongju for female victims of domestic violence.

CNE is an active member of its local community; every year, the company supports the Gongju Cheongyang Victim Support Center and joint wedding ceremony for the physically disabled in Chungcheongnam-do, and

Environmental and Social Responsibilities Management

donates supplies and money to a community event, Samaeul Family Hanmaeum Race. CNE also assisted Red Cross by providing a venue for donation activities at its Pungse office, which raising KRW 70 million in total.

Moreover, CNE made a donation of KRW 5 million to the children of car crash victims through the Expressway Scholarship Foundation, and also raised KRW 2 million in 2012 from voluntary staff participation which was donated to Community Chest of Korea Fruit of Love.

Incheon Grand Bridge (IGB)

As an active member of its community, IGB has participated in a wide range of community initiatives over the years. In 2012, IGB was a sponsor to local events for the residents of Yongjong, including the 14th Yongjong Resident's Day and the 8th Memorial Service for the Victims of Attack in Yongjongjin. IGB staff also donated supplies to 2012 Red Cross Charity Bazaar and co-hosted an event with Incheon Metropolitan City's Jung-gu Office to make and share 1,500kg of kimchi and delivered 300 pieces of warm clothes to the underprivileged. In addition, IGB delivered Christmas presents to 1,000 local households through Incheon Michuhol Santa Claus and sponsored the Korea Policy Institute of Multiculture Family to support multicultural families. IGB is currently preparing to open a small zoo to help with psychological treatment of children with disabilities in the local area.

Soojungsan Tunnel (SICL)

To maintain a close relationship with the local community and serve its corporate social responsibility, SICL made donations to Busan Community Chest of Korea in September 2012, with plans for annual donations to Busan Fruit of Love as well as continued participation and interest in social contributions.

SICL's degree of air pollution is inspected by an external party (Research Institute of Public Health & Environment) on a bi-annual basis. Results of the inspection showed that SICL is maintaining a clean tunnel with carbon monoxide level of 2.0ppm and nitrogen oxide level of 1.6ppm (maximum standard for inspection is 100ppm and 25ppm for carbon monoxide and nitrogen oxide, respectively). The results are disclosed on the inspector's website to ensure health and safety of tunnel users.

Through participation in Busan Regional Ministry of Employment and Labor's Occupational Health Risk Self-Evaluation Program, SICL reduced risk factors for occupational accidents and obtained Certificate of Authentication for Occupational Health Risk Self-Evaluation upon inspection, which exempts SICL from occupational safety and health-related inspections for 24 months.

Baekyang Tunnel (BYTL)

Since 2009, BYTL has participated in volunteer activities and meal-serving assistance once a month at Baekyang Community Center for those living under basic living security and senior citizens living alone.



MACQUARIE KOREA INFRASTRUCTURE FUND

MACQUARIE KOREA INFRASTRUCTURE FUND

Financial Statements
December 31, 2012 and 2011

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Report of Independent Auditors

To the Shareholders and Board of Directors of
MACQUARIE KOREA INFRASTRUCTURE FUND

We have audited the accompanying statements of financial position of MACQUARIE KOREA INFRASTRUCTURE FUND (hereafter "the Company") as of December 31, 2012 and 2011, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in conformity with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MACQUARIE KOREA INFRASTRUCTURE FUND as of December 31, 2012 and 2011, and its financial performance and cash flows for the years then ended in conformity with Statements of Korean Accounting Standards (SKAS) No. 5003 Collective Investment Vehicle.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers as described in Note 2(b) to the accompanying financial statements, do not form part of the financial statements and are unaudited.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, financial performance and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.

Seoul, Korea
January 30, 2013

This report is effective as of January 30, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Samil PricewaterhouseCoopers

LS Yongsan Tower, 191, Hangangno 2-ga, Yongsan-gu, Seoul 140-702, Korea (Yongsan P.O Box 266, 140-600) www.samil.com

Samil PricewaterhouseCoopers is the Korean network firm of PricewaterhouseCoopers International Limited (PwCIL). "PricewaterhouseCoopers" and "PwC" refer to the network of member firms of PwCIL. Each member firm is a separate legal entity and does not act as an agent of PwCIL or any other member firm.

Statements of Financial Position

MACQUARIE KOREA INFRASTRUCTURE FUND
December 31, 2012 and 2011
(In thousands of Korean won and U.S. dollars, except per share data)

	Won (thousands)		U.S. dollars (Note 2(b))		
Assets	2012		2011		2012
Invested assets:					
Cash and deposits (Note 3)	₩	20,815,264	₩	100,893,350	\$ 19,433,539
Loans receivable (Notes 4 and 7)		1,096,041,506		1,137,195,736	1,023,285,880
Equity securities (Notes 6, 7 and 9)		574,251,191		631,803,347	536,132,192
Total invested assets		1,691,107,961		1,869,892,433	1,578,851,611
Other assets:					
Interest receivable (Note 7)		351,646,013		242,420,613	328,303,625
Other receivables		4,457,863		4,457,863	4,161,949
Deferred costs, net (Note 5)		8,071,557		9,749,143	7,535,764
Total other assets		364,175,433		256,627,619	340,001,338
Total assets	₩	2,055,283,394	₩	2,126,520,052	\$ 1,918,852,949
Liabilities and Shareholders' Equity					
Liabilities:					
Accounts payable	₩	941	₩	1,075	\$ 879
Management fee payable (Note 8)		7,454,573		6,140,003	6,959,735
Other liabilities (Notes 8 and 10)		1,534,266		1,811,601	1,432,421
Corporate bonds (Note 12)		249,156,128		248,978,465	232,617,055
Long-term debts (Notes 8 and 11)		84,944,371		183,907,228	79,305,734
Total liabilities		343,090,279		440,838,372	320,315,824
Shareholders' equity:					
Share capital - no par value		1,670,985,755		1,670,985,755	1,560,065,124
Authorized - 4,000,000,000 shares; Issued and outstanding: 331,459,341 shares in 2012 and 2011 (Note 13)					
Retained earnings		41,207,360		14,695,925	38,472,001
Net asset value per share in Korean won and U.S. dollars: ₩5,166(\$4.8) in 2012 and ₩5,086(\$4.41) in 2011 (Note 18)					
Total shareholders' equity		1,712,193,115		1,685,681,680	1,598,537,125
Total liabilities and shareholders' equity	₩	2,055,283,394	₩	2,126,520,052	\$ 1,918,852,949

The accompanying notes are an integral part of these financial statements

Statements of Income

MACQUARIE KOREA INFRASTRUCTURE FUND
For the years ended December 31, 2012 and 2011
(In thousands of Korean won and U.S. dollars, except earnings per share)

	Won (thousands)		U.S. dollars (Note 2(b))	
	2012	2011	2012	
Revenue:				
Interest income (Notes 4, 7 and 8)	₩ 171,911,689	₩ 161,804,180	\$ 160,500,130	
Gain on sale of investment, net (Notes 4 and 6)	33,151,148	621,635	30,950,563	
Other income	686,224	-	640,672	
	205,749,061	162,425,815	192,091,365	
Expenses:				
Management fees (Note 8)	27,786,179	24,151,939	25,941,722	
Custodian fees (Note 8)	337,315	333,412	314,924	
Administrator fees (Note 8)	210,822	208,382	196,828	
Interest expense (Note 8)	19,827,559	23,701,286	18,511,398	
Other expense (Notes 7, 8 and 15)	3,463,904	8,446,494	3,233,969	
	51,625,779	56,841,513	48,198,841	
Net income	₩ 154,123,282	₩ 105,584,302	\$ 143,892,524	
Earnings per share				
in Korean won and U.S. dollars (Note 19)	₩ 465	₩ 319	\$ 0.434	

The accompanying notes are an integral part of these financial statements

Changes in Shareholders' Equity

MACQUARIE KOREA INFRASTRUCTURE FUND
For the years ended December 31, 2012 and 2011
(In thousands of Korean won and U.S. dollars, except per share data)

	Won (thousands)		U.S. dollars (Note 2(b))	
	Share capital	Retained earnings	Total	Total
Balance at January 1, 2011	₩ 1,670,985,755	₩ 24,790,933	₩ 1,695,776,688	\$ 1,583,210,425
Net income	-	105,584,302	105,584,302	98,575,578
Cash distribution (Note 14)	-	(115,679,310)	(115,679,310)	(108,000,476)
(Net asset value per share in Korean won and US dollars: ₩5,086 (\$4.41) (Note 18))				
Balance at December 31, 2011	1,670,985,755	14,695,925	1,685,681,680	1,573,785,527
Net income	-	154,123,282	154,123,282	143,892,524
Cash distribution (Note 14)	-	(127,611,847)	(127,611,847)	(119,140,926)
(Net asset value per share in Korean won and US dollars: ₩5,166 (\$4.8) (Note 18))				
Balance at December 31, 2012	₩ 1,670,985,755	₩ 41,207,360	₩ 1,712,193,115	\$ 1,598,537,125

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows

MACQUARIE KOREA INFRASTRUCTURE FUND
For the years ended December 31, 2012 and 2011
(In thousands of Korean won and U.S. dollars)

	Won (thousands)		U.S. dollars (Note 2(b))	
	2012	2011	2012	
Cash flows from operating activities:				
Cash inflows from operating activities:				
Interest income	₩ 62,733,489	₩ 98,048,834	\$ 58,569,217	
Collection of loans receivable	45,827,030	14,530,485	42,785,015	
Other income	686,224	869	640,672	
Sale of invested assets	91,159,100	20,550,000	85,107,926	
	200,405,843	133,130,188	187,102,830	
Cash outflows from operating activities:				
Purchases of equity securities	-	(21,404,450)	-	
Issuances of loans receivable	(4,720,000)	(52,951,000)	(4,406,685)	
Payment of deferred costs	(71,000)	(79,000)	(66,286)	
Management fees	(26,471,610)	(23,970,568)	(24,714,415)	
Custodian fees	(335,963)	(333,694)	(313,662)	
Administrator fees	(209,977)	(208,558)	(196,039)	
Other expenses	(2,059,874)	(1,148,492)	(1,923,139)	
	(33,868,424)	(100,095,762)	(31,620,226)	
Net cash provided by operating activities	166,537,419	33,034,426	155,482,604	
Cash flows from financing activities:				
Repayment of long-term debts	(180,000,000)	(250,000,000)	(168,051,536)	
Proceeds from long-term debts	74,500,000	55,443,047	69,554,663	
Issuance of bonds	-	250,000,000	-	
Distribution	(127,611,847)	(115,679,310)	(119,140,926)	
Interest expense	(13,403,659)	(6,552,338)	(12,513,919)	
Bond issue costs	-	(1,125,900)	-	
Incidental expenses for borrowings	(100,000)	(3,592,000)	(93,361)	
Net cash used in financing activities	(246,615,506)	(71,506,501)	(230,245,079)	
Net decrease in cash and deposits	(80,078,087)	(38,472,076)	(74,762,475)	
Cash and cash equivalents at beginning of the year	100,893,350	139,365,426	94,196,014	
Cash and cash equivalents at end of the year	₩ 20,815,264	₩ 100,893,350	\$ 19,433,539	

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

MACQUARIE KOREA INFRASTRUCTURE FUND
December 31, 2012 and 2011

1. Organization and Description of Business

MACQUARIE KOREA INFRASTRUCTURE FUND (the “Company”) was incorporated on December 12, 2002, under the Securities Investment Company Act (the “SICA”) and the Private Participation in Infrastructure Act (the “PPIA”). The Company is an investment company that operates by investing in entities that have entered into long-term concession agreements with central, provincial and city governments in Korea implemented under the framework of the PPIA. During 2004 the Korean Government enacted the Indirect Investment Asset Management Business Act (“IIAMBA”), replacing the SICA. During 2009 the Korean Government enacted the Financial Investment Services and Capital Markets Act (the “FSCMA”), replacing the IIAMBA. The Company, which was classified as an investment company under the IIAMBA, was registered as an investment company under the FSCMA on April 30, 2009, and amended its Articles of Incorporation on June 15, 2009.

Under the FSCMA, the Company shall not have any employees. Instead, the Company is required under FSCMA to appoint a manager, custodian, administrator and sales agents. Macquarie Korea Asset Management Co., Ltd. (Former, Macquarie Shinhan Infrastructure Asset Management Co., Ltd.) is the Company’s asset manager. Macquarie Korea Asset Management Co., Ltd. had been a joint venture between the Macquarie Group and Shinhan Financial Group and Shinhan Financial Group transferred its total share to Macquarie and changed its name to Macquarie Korea Asset Management Co., Ltd. on February 28, 2012. On November 11, 2005, the Manager was licensed as an infrastructure fund asset management company under the IIAMBA and on February 4, 2009, the Manager was re-licensed as an infrastructure fund asset management company under the FSCMA. Also, on June 24, 2010, the manager was authorized as the manager of special asset collective investment vehicle under the FSCMA, and expanded its business scope.

The Company listed its Depository Receipts (DR) on the London Stock Exchange Professional Securities Market on March 14, 2006 and listed its common stock on the Korea Stock Exchange on March 15, 2006.

2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements

(a) Basis of Presenting Financial Statements

The Company maintains its accounting records in Korea and prepares financial statements in conformity with the FSCMA, the Statement of Korea Accounting Standards (“SKAS”) No. 5003, “Collective investment Vehicle”.

Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, non-consolidated financial statements are intended for use only by those who are informed about Korean accounting principles and practices.

The accompanying non-consolidated financial statements include only the accounts of the Company, and do not consolidate the accounts of any of the Company’s subsidiaries.

Notes to Non-consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(b) Basis of Translating Financial Statements

The Company operates primarily in Korea and its accounting records are maintained in Korean won. The U.S. dollars amounts as of and for the year ended December 31, 2012, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US\$1:₩1,071.1. Such presentation is not in accordance with accounting principles generally accepted in the Republic of Korea, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

(c) Revenue Recognition

Revenue is recognized when the Company's revenue-earning activities have been substantially completed, the amount of revenue can be measured reliably, and it is highly probable that the economic benefits associated with the transaction will flow to the Company. Interest income on loans is recognized on an accrual basis. In principle, the Company recognizes interest income using the effective interest rate method over the term of the loan.

(d) Cash and Deposits

The Company considers cash and deposits to include funds deposited in money market deposit accounts, negotiable certificates of deposit and time deposits.

(e) Loans Receivable

The acquisition costs of loans receivable are initially carried at cost. The costs related to loan acquisitions are deferred and amortized over the term of the respective loan. Under the effective interest rate method, the loans are recorded at amortized costs, including allowance for doubtful loans.

The Company assesses the potential impairment of loans receivable when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. The carrying value of the asset is reduced to its estimated realizable value by recording an impairment loss charged to current operations and presenting it as a reduction from the said carrying value.



2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(f) Investment Securities

Under the SKAS No.5003, "Investment Securities", investment securities are initially recognized and carried at cost, including incidental expenses.

The Company as the investment company also accounts for investment securities under the provision of SKAS No. 5003, "Collective Investment Vehicle".

Investment securities are subsequently measured at fair value and changes in the fair values of the securities are recognized in the current operations. Under SKAS No. 5003, the fair value is determined by valuation methodologies stipulated in FSCMA.

Under the provision of FSCMA and its presidential decree, when a reliable market price is not readily determinable at the assessment date, investment securities are measured at fair value which is the price determined by the Collective Investment Property Appraisal Committee ("Appraisal Committee") of Macquarie Korea Asset Management Co., Ltd. In this case, the Appraisal Committee should determine the price of unlisted and non-marketable securities considering, amongst other things, the acquisition cost, transaction price and third party valuation. As of December 31, 2012, the Appraisal Committee has chosen to adopt acquisition cost as its fair value for the unlisted equity securities.

Investment securities shall be assessed at each statement of financial position date to determine whether there is any objective evidence of impairment. When such evidence exists, and unless there is clear counter evidence that recognition of impairment is unnecessary, the entity shall estimate the recoverable amount of the impaired security and recognize any impairment loss in current operations.

(g) Distributions Payable

Distributions are declared and recorded upon approval by the Company's board of directors as defined under the Company's Articles of Incorporation.

Notes to Non-consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(h) Provisions

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

(i) Net Asset Value Per Share

Net asset value per share is calculated as the carrying value of net assets of the Company divided by the outstanding numbers of shares.

(j) Earnings Per Share

Earnings per share is calculated by dividing net income by the weighted-average numbers of shares outstanding during each period.

(k) Income Taxes

As described in Note 1, the Company is an investment company under the FSCMA, which is defined as a collective investment vehicle established in the form of a corporation under the Korean Commercial Code to distribute to its shareholders the profits made by managing investments. Accordingly, for Korean corporate income tax purposes, the Company, as an investment company under the FSCMA, is entitled to deduct from its taxable income (up to an amount equal to its taxable income) for any fiscal year the amount of distributions the Company declares in the same year as long as such amount is equal to 90% or more of the Company's distributable income for such year. Distributable income is defined as non-consolidated net income after deduction of income taxes as set forth in the Company's non-consolidated financial statements prepared under Korean GAAP, further adjusted to include retained earnings or deficit and any reserves pursuant to applicable laws and regulations. If the Company does not declare distributions equal to 90% or more of the Company's distributable income in a particular fiscal year, the Company will be liable for the Korean corporate income tax for the entire amount of its taxable income.

2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(l) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and related notes. Therefore, actual results could differ from those estimates.

(m) Approval of financial statements

The December 31, 2012 financial statements of the Company were approved by the board of directors on January 30, 2013.

3. Cash and Deposits

Cash and deposits as of December 31, 2012 and 2011, are as follows:

	Won (thousands)		U.S. dollars (Note 2(b))	
	2012	2011	2012	
Money Market Deposit Accounts ("MMDA") (*1):				
Standard Chartered Bank	₩ 20,815,264	₩ 40,893,350	\$ 19,433,539	
Time Deposits ("TD")				
Kookmin Bank	-	20,000,000	-	
Woori Bank	-	40,000,000	-	
	-	60,000,000	-	
	₩ 20,815,264	₩ 100,893,350	\$ 19,433,539	

(*1) As of December 31, 2012, the interest rate on MMDA is 2.55%.

Notes to Non-consolidated Financial Statements, Continued

4. Loans Receivable

Loans receivable as of December 31, 2012 and 2011, are as follows:

			Won (thousands)		U.S. dollars (Note 2(b))
	Repayment Period	Annual interest rate (%)	2012	2011	2012
Senior loans receivable:					
Kwangju Beltway Investment Co., Ltd.	2018~2024	10	₩ 142,000,000	₩ 142,000,000	\$ 132,573,989
Kwangju Ring Road Co., Ltd. ⁽¹⁾	2012~2019	7.85	52,096,847	58,683,877	48,638,640
Soojongsan Investment Co., Ltd. ⁽²⁾	2012~2018	8.5	43,170,000	50,365,000	40,304,360
Baekyang Tunnel Ltd.	2024	13~15	1,518,931	1,566,131	1,418,104
Subordinated loans receivable:					
Kwangju Beltway Investment Co., Ltd.	2024~2026	20	31,950,000	31,950,000	29,829,148
MCB Co., Ltd.	2030~2035	11.38	79,000,000	79,000,000	73,755,952
New Airport Highway Co., Ltd.	2015~2017	13.9	51,670,400	51,670,400	48,240,500
Soojongsan Investment Co., Ltd. .	2017	20	19,260,587	19,260,587	17,982,062
Cheonan Nonsan Expressway Co., Ltd. ⁽³⁾	2024~2029	6~20	182,250,000	182,250,000	170,152,180
Daegu East Circulation Road Co., Ltd. ⁽⁴⁾	2022~2024	17	-	32,045,000	-
Incheon Bridge Co., Ltd ⁽⁵⁾	2020~2026	9.31~11.49	89,378,000	89,378,000	83,445,056
Seoul Chuncheon Highway Co.,Ltd. ⁽⁶⁾	2026~2031	11~11.59	87,450,000	87,450,000	81,645,038
Gyungso Highway Co., Ltd. ⁽⁷⁾	2029~2034	13~15	77,000,000	77,000,000	71,888,713
BNCT Co., Ltd. ⁽⁸⁾	2028~2032	10~12	193,000,000	188,280,000	180,188,591
Seoul Metro Line 9 Co., Ltd.	2033~2035	15	33,460,000	33,460,000	31,238,913
Woomyunsan Infraway Co., Ltd	2024~2026	20	9,576,000	9,576,000	8,940,342
Working capital loans receivable:					
Kwangju Beltway Investment Co., Ltd.	2027	15	3,260,741	3,260,741	3,044,292
			₩1,096,041,506	₩1,137,195,736	\$ 1,023,285,800



4. Loans receivable, Continued

- (*1) In 2012, Kwangju Ring Road Co.,Ltd. collected its loan amounting to ₩11,233 millions including accrued interest.
- (*2) In 2012, Soojungsan Investment Co., Ltd. collected its senior loan amounting to ₩11,257 millions including accrued interest.
- (*3) Interest rates per annum are as follows: 6% from 2005 to 2007, 8% in 2008, 16% from 2009 to 2012 and 20% from 2013 to maturity of 2029, and an effective interest rate of 11.58% is used to recognize interest income. Due to financial covenants restricting payment of interest on subordinated loans, Cheonan Nonsan Expressway ("CNEC") has the limitation to pay interests on the subordinated loan. In May 2009, the Company entered into a debt securitization agreement with NH Investment and Securities Co., Ltd. ("NHISC") to securitize the accumulated interest receivable from CNEC. Under the agreement, NHISC agreed to underwrite the debt securities amounting to ₩157,200 million through seven securitization. The Company paid NHISC an underwriting fee of 1.5% (₩2,358 million) of the total amount underwritten. The Company sold the debt securities of ₩19,949 million for ₩20,197 million in the second securitization in March 2010 and sold the debt securities of ₩20,527 million for ₩21,149 million in the third securitization in March 2011 under the agreement. The fourth securitization was cancelled which was expected in 2012, thereof the cancellation fee of ₩205 million was expensed in 2012.
- (*4) On June 29, 2012, Daegu East Circulation Road Co.,Ltd. prepaid the loan principal of ₩32,045 million, in accordance with the article of subordinate loan agreement for Daegu 4th Beltway East.
- (*5) The interest rate during the construction period is fixed at 12% per annum and its changes by floating rate of base rate (yield of 3 year AA- corporate bond) plus margin (6%) per annum thereafter. The Company had accrued interest income using interest rate of 11.49%. Since the interest rate was reset on November 17, 2012, the Company has accrued interest income using interest rate of 9.31%.
- (*6) The interest rate during the construction period is 11% per annum and it increases to 11.59% per annum from the commencement of operation.
- (*7) The interest rate during the construction period and for the three years following commencement of operations is 13% per annum and it increases to 15% per annum thereafter.
- (*8) The interest rate during the construction period is 10% per annum and thereafter increases to 12% per annum from the commencement of operation. On January 20 2012, the company invested ₩4,720 million additionally as subordinated loan.

Notes to Non-consolidated Financial Statements, Continued

5. Deferred Costs

Deferred costs as of December 31, 2012 and 2011, are as follows:

	Won (thousands)		U.S. dollars (Note 2(b))	
	2012	2011	2012	
Costs deferred on investments prior to acquisition	₩ -	₩ 137,500	\$ -	
Loans acquisition incidental costs	3,833,867	4,139,143	3,579,374	
Others ^(*)	4,237,690	5,472,500	3,956,390	
	₩ 8,071,557	₩ 9,749,143	\$ 7,535,764	

(*) The fees related to the securitization and credit facility are included (Notes 4 and 11).

6. Investments

(a) Equity securities as of December 31, 2012 and 2011, are as follows:

	Owner-ship (%)	Won (thousands)		U.S. dollars (Note 2(b))	
		2012	2011	2012	
Kwangju Beltway Investment Co., Ltd. ^(*)	100	₩ 13,050,000	₩ 13,050,000	\$ 12,183,736	
Kwangju Ring Road Co., Ltd. ^(*)	75	29,494,766	29,494,766	27,536,893	
MCB Co., Ltd. ^(*)	70	33,925,040	33,925,040	31,673,084	
New Airport Highway Co., Ltd. ^(*)	24.1	59,880,248	59,880,248	55,905,376	
Baekyang Tunnel Ltd. ^(*)	100	1,231,000	1,231,000	1,149,286	
Soojungsan Investment Co., Ltd. ^(*)	100	47,247,830	47,247,830	44,111,502	
Cheonan-Nonsan Expressway Co., Ltd. ^(*)	60	93,815,061	93,815,061	87,587,583	
Woomyunsan Infraway Co., Ltd. ^(*)	36	2,723,725	2,723,725	2,542,923	
Private Infrastructure Investment Korea ^(*)	100	76,886,809	76,886,809	71,783,035	
Korea Road Infrastructure Investment Co., Ltd. ^(*)	-	-	57,552,156	-	
Seoul-Chuncheon Expressway Co., Ltd. ^(*)	15	49,439,043	49,439,043	46,157,262	
BNCT Co., Ltd. ^(*)	30	67,048,056	67,048,056	62,597,382	
Gyungso Highway Co., Ltd. ^(*)	35	58,361,765	58,361,765	54,487,690	
Seoul Metro Line 9 Co., Ltd. ^(*)	24.5	41,147,648	41,147,648	38,416,252	
BYT Securitization Specialty Co., Ltd. ^(*)	0.5	50	50	47	
CN First Securitization Specialty Co., Ltd. ^(*)	0.5	50	50	47	
CN Second Securitization Specialty Co., Ltd. ^(*)	0.5	50	50	47	
CN Third Securitization Specialty Co., Ltd. ^(*)	0.5	50	50	47	
		₩ 574,251,191	₩ 631,803,347	\$ 536,132,192	



6. Investments, Continued

- (*1) Kwangju Beltway Investment Co., Ltd. ("KBICL") operates the Kwangju Second Beltway, Section 1 and collects toll revenues generated by the beltway under the concession agreement with the Kwangju City government. KBICL is proceeding of administrative lawsuit against the supervisory ordinance of Kwangju Metropolitan City(October 2011).
- (*2) Kwangju Ring Road Co., Ltd. ("KRRCL") operates the Kwangju Second Beltway, Section 3-1 and collects toll revenues generated by the beltway under the concession agreement with the Kwangju City government.
- (*3) MCB Co., Ltd. ("MCB") holds the concession right to operate Machang Bridge under a concession agreement with the Gyeongsangnamdo provincial government.
- (*4) New Airport Highway Co., Ltd. ("NAHC") operates the Incheon International Airport Expressway under a concession agreement with the Ministry of Land, Transport and Maritime Affairs ("MLTM").
- (*5) Baekyang Tunnel Ltd. ("BYTL") operates and manages Baekyang Tunnel under a concession agreement with the Busan City government.
- (*6) Soojungsan Investment Co., Ltd. ("SICL") operates Soojungsan Tunnel under a concession agreement with the Busan City government.
- (*7) CNEC operates Cheonan-Nonsan Expressway under a concession agreement with the MLTM.
- (*8) Woomyunsan Infraway Co., Ltd. ("WIC") operates Woomyunsan Tunnel under a concession agreement with the Seoul City.

Notes to Non-consolidated Financial Statements, Continued

6. Investments, Continued

- (*9) Private Infrastructure Investment Korea ("PIIK") is a special purpose company established to acquire Incheon Bridge Co., Ltd. ("IBC") which has the right to operate Incheon Grand Bridge under a concession agreement with the MLTM. As of December 31, 2012, PIIK holds 41.02% of the equity in IBC.
- (*10) Korea Road Infrastructure Investment Co., Ltd. ("KRILC") is a special purpose company established to provide funding to Daegu East Circulation Road Co., Ltd. ("DECRC") which has the right to operate and maintain the Daegu 4th Beltway East. On June 27, 2012, the Company sold total share of KRILC (Book value of ₩57,552 million) for ₩91,159 million, and recognized gain of ₩33,151 million on the disposal excluding incidental costs.
- (*11) Seoul-Chuncheon Expressway Co., Ltd. ("SCE") has the right to operate and manage Seoul-Chuncheon Expressway under a concession agreement with MLTM.
- (*12) BNCT Co., Ltd. ("BNCT") has been granted a concession from MLTM to construct, operate and manage Busan New Port Phase 2-3.
- (*13) Gyungso Highway Co., Ltd. ("YSE") has the right to operate and manage Yongin-Seoul Expressway under the concession agreement with MLTM.
- (*14) Seoul Metro Line 9 Co., Ltd. ("SM9") has the right to operate and manage Subway Line 9 under the concession agreement with Seoul City government. Seoul Metro Line 9 Co., Ltd. is proceeding of administrative lawsuit against Seoul Metropolitan City regarding the subway tariff.
- (*15) In December 2007, the Company acquired 0.5% of the shares of BYT SPC ₩50 thousand. The Company also provided Shinhan Bank with its equity shares in the BYT SPC as a pledge in relation to any potential loss which may arise due to BYTL's default on the loan.
- (*16) In April 2009, the Company acquired 0.5% of the shares of CN First Securitization Specialty Co., Ltd.
- (*17) In March 2010, the Company acquired 0.5% of the shares of CN Second Securitization Specialty Co., Ltd.
- (*18) In March 2011, the Company acquired 0.5% of the shares of CN Third Securitization Specialty Co., Ltd.
- (*19) The Company provided its equity shares as collaterals for subsidiaries' long-term debts (Note 9).

7. Transactions with Significantly Invested Companies and Supervisory Directors

(a) Details of significantly invested companies as of December 31, 2012, are as follows:

Significantly Invested Companies ^(*)	Ownership (%)	Principal Business
Kwangju Beltway Investment Co., Ltd.	100	Operation of toll road
Kwangju Ring Road Co., Ltd.	75	Operation of toll road
Baekyang Tunnel Ltd.	100	Operation of tunnel
Cheonan Nonsan Expressway Co., Ltd.	60	Operation of toll road
Soojungsan Investment Co., Ltd.	100	Operation of tunnel
Private Infrastructure Investment Korea Co., Ltd.	100	Investment
MCB Co., Ltd.	70	Operation of toll road

(*1) SKAS 5003 does not require disclosure of transactions and balances with related parties. However, in order to provide relevant information to the shareholders, the Company classifies the subsidiaries where greater than 50% equity shares are held and may have effective control as significantly invested companies, and discloses the transactions and balances with such entities.

(b) Significant transactions which occurred in the normal course of business with the significantly invested companies as of and for the years ended December 31, 2012 and 2011, are summarized as follows:

	Won (thousands)		U.S. dollars (Note 2(b))	
	2012	2011	2012	
Statements of income:				
Interest income	₩ 88,680,744	₩ 91,453,155	\$ 82,794,085	
Statements of financial position:				
Loans receivable	554,507,106	600,381,335	517,698,727	
Interest receivable	231,432,866	176,209,252	216,070,270	

(c) Compensation for the supervisory directors for the years ended December 31, 2012 and 2011, consists of:

	Won (thousands)		U.S. dollars (Note 2(b))	
	2012	2011	2012	
Salaries	₩ 144,000	₩ 144,000	\$ 134,441	

Notes to Non-consolidated Financial Statements, Continued

8. Related Party Transactions and Balances with the Manager and its Associates

(a) On December 13, 2002, the Company appointed Macquarie Korea Asset Management Co., Ltd. as the Company's Manager, with the terms of the appointment stipulated in a management agreement executed between the Company and the Manager. The management agreement was amended and restated on February 27, 2012 (the "Management Agreement"). Pursuant to the amended Management Agreement, the Company paid management fees and performance fees to the Manager on the following basis:

(i) Post-listing Management Fees: The Manager receives a fee, paid quarterly in arrears, calculated based on the net investment value and the commitments of the Company using the below methodology. The net investment value of the Company is the aggregate of the market value of the Company plus debt incurred by the Company less cash and cash equivalents ^(*) ("Net Investment Value"). Commitments represent the aggregate of amounts which the Company has firmly committed for future investments (other than cash and cash equivalents ^(*)). Each of the Net Investment Value and Commitments are calculated as at the end of each calendar quarter.

- In relation to the Net Investment Value portion of the Post-listing Management Fees, the amount is calculated at the rate of 1.25% per annum of the Net Investment Value where Net Investment Value plus Commitments is less than or equal to ₩1.5 trillion, and 1.10% per annum for that part of the Net Investment Value where Net Investment Value plus Commitments exceeds ₩1.5 trillion.

- In relation to the Commitments portion of the Post-Listing Management Fee, the amount is calculated at the rate of 1.15% per annum of Commitments where Commitments plus Net Investment Value is less than or equal to ₩1.5 trillion, and 1.05% per annum for that part of Commitments where Commitments plus Net Investment Value exceeds ₩1.5 trillion.

(*) Cash and cash equivalents include all cash and deposits held at the banks.

(ii) Post-listing Performance Fees: Post-listing Performance Fees are payable to the Manager quarterly, calculated as 20% of the out-performance (as measured by an accumulation index for shares over the last 15 trading days of each quarter) over an 8% per annum benchmark rate of return, after taking into account deficit and surplus accumulated from the timing of listing.



8. Related Party Transactions and Balances with the Manager and Associates, Continued

(iii) Termination of Management Agreement: Under the terms of the Management Agreement, the Company may only terminate the agreement upon 90 days' prior written notice to the Manager and approval by the holders of more than 50% of the Company's shares. However, if the Company terminates the Management Agreement for reasons other than willful misconduct, gross negligence by the Manager or underperformance, the Company is required to pay the Manager an amount equal to:

- The management fees paid to the Manager over the four quarters immediately preceding termination; and
- If the Company was not listed, a listing performance fee assuming the Company had listed as at the time of termination.

(b) As of December 31, 2012, the Company has the Korean Securities Finance Corporation and KEB Investor Services Co., Ltd. as its Custodian and Administrator, respectively. The Company also has Shinhan Investment Corp., Macquarie Securities Korea, Ltd., Hanwha Securities Co., Ltd., Samsung Securities Co., Ltd., Tong Yang Securities Inc. and Kyobo Securities Co., Ltd. as its Sales Agents. Pursuant to the relevant service provider agreements, the Company pays administrator fees, custodian fees and sales agent fees. The details are as follows:

(i) Custodian fees: 0.02% per annum of the average balance of the net asset value of the Company. This fee is paid in arrears on a quarterly basis.

(ii) Administrator fees: 0.0125% per annum of the average balance of the net asset value of the Company. This fee is paid quarterly in arrears.

(iii) Sales agent fees: According to sales agent agreements, no fee is payable.

Notes to Non-consolidated Financial Statements, Continued

8. Related Party Transactions and Balances with the Manager and Associates, Continued

(c) Significant transactions and account balances which occurred with the Manager and its related parties as of and for the years ended December 31, 2012 and 2011, are summarized as follows:

		Won (thousands)		U.S. dollars (Note 2(b))
		2012	2011	2012
Significant transactions:				
Macquarie Korea Asset Management Co., Ltd.	Management fee	₩ 27,786,179	₩ 24,151,939	\$ 25,941,723
Shinhan Bank ^(*)	Long-term debt	-	52,539,491	18,157,887
	Repayment of long-term debt	-	109,355,947	40,332,369
	Interest income	-	101,247	-
	Interest expense	461,052	4,383,797	4,442,736
	Upfront fee and other fees relative to the credit facility	7,459	3,706,566	260,904
Macquarie Capital Advisers Korea Co., Ltd.	Advisory fee	-	139,260	-
Account balances:				
Macquarie Korea Asset Management Co., Ltd.	Management fee payable	₩ 7,454,573	₩ 6,140,003	\$ 6,959,736
Shinhan Bank ^(*)	Long-term debt (Note 11)	-	44,137,736	19,033,376
	Other liabilities	-	121,662	48,284

(*) Shinhan Bank has not been related party since February 29, 2012, therefore the interest income and fee has been disclosed for January and February only.

9. Pledged Assets and Guarantees Provided by Others

The following assets are pledged as collaterals for subsidiaries' long-term debts as of December 31, 2012:

			Won (thousands)		U.S. dollars (Note 2(b))	
Pledged Assets	Lender	Borrower	Book value	Collateralized amount	Book value	Collateralized amount
Equity securities:						
MCB Co., Ltd.	Kookmin Bank and others	MCB Co., Ltd.	₩ 33,925,040	₩201,500,000	\$ 31,673,084	\$188,124,358
Cheonan-Nonsan Expressway Co., Ltd.	Korea Development Bank, CNE Securitization Specialty LLC and Shinhan Bank	Cheonan-Nonsan Expressway Co., Ltd.	93,815,061	1,144,000,000	87,587,584	1,068,060,872
Woomyunsan Infraway Co., Ltd.	Shinhan Bank and others	Woomyunsan Infraway Co., Ltd.	2,723,725	187,070,000	2,542,923	174,652,227
Seoul-Chuncheon Highway Co., Ltd.	Kookmin Bank and others	Seoul-Chuncheon Highway Co., Ltd.	49,439,043	1,300,000,000	46,157,262	1,213,705,536
Busan New Container Terminal Co.,Ltd.	Kookmin Bank and others	Busan New Container Terminal Co.,Ltd.	67,048,056	800,800,000	62,597,382	747,642,610
Gyungso Highway Co.,Ltd	Korea Development Bank and others	Gyungso Highway Co.,Ltd	58,361,765	471,900,000	54,487,690	440,575,110
BYT Securitization Specialty Co., Ltd.	Shinhan Bank (Credit line)	BYT Securitization Specialty Co., Ltd.	50	223,600,000	47	208,757,352
			₩305,312,740	₩4,328,870,000	\$ 285,045,972	\$4,041,518,065

Notes to Non-consolidated Financial Statements, Continued

10. Other Liabilities

Other liabilities as of December 31, 2012 and 2011, are as follows:

	Won (thousands)		U.S. dollars (Note 2(b))	
	2012	2011	2012	
Administrator fee payable	₩ 53,495	₩ 52,651	\$ 49,944	
Custodian fee payable	85,593	84,241	79,911	
Interest payable	1,278,250	1,569,157	1,193,399	
Accrued expenses	116,928	105,552	109,167	
	₩ 1,534,266	₩ 1,811,601	\$ 1,432,421	

11. Long-Term Debts

a) On December 31, 2012, the Company entered into a corporate credit facility agreement ("Facility") with Lenders for a limit of ₩250,000 million. Detail terms and conditions of the Facility are as follows:

	Long-Term Debts
Lenders	Shinhan Bank and others
Credit limit	₩250,000 million
Drawdown as of December 31, 2012	₩84,944 million
Interest rate ^(*)	Base rate + 2.7%
Maturity ^(*)	June 16, 2016

(*1) The base rate is the arithmetic average of the 91-day Negotiable Certificate of Deposit rates (provided by Korea Financial Investment Association) quoted on each of the three consecutive banking days immediately prior to the first day of each interest period. Interest accrued during each interest period may be paid or capitalized, at the election of the Company, on each interest payment date.

(*2) Related to the Facility, the Company and Lenders agreed the refinance existing corporate credit facility for a new corporate credit facility agreement with the maturity date of June 16, 2016. The Company paid the fee of 1.3968% (₩3,492 million) of the facility limit to Lenders. The Company is able to make an early repayment of the facility drawn down. Also, the Company is able to redraw at any time within the limit.

11. Long-term debts, Continued

b) Long-term debts as of December 31, 2012 and 2011, are as follows:

	Won (thousands)		Won (thousands)		U.S. dollars (Note 2(b))
	Limit of the Facility	Annual Interest Rate(%)	2012	2011	2012
Shinhan Bank	₩ 60,000,000	base rate + 2.7%	₩ 20,386,649	₩ 44,137,736	\$ 19,033,376
National Agricultural Cooperative Federation (NACF)	60,000,000	base rate + 2.7%	20,386,649	44,137,736	19,033,376
Woori Bank	40,000,000	base rate + 2.7%	13,591,099	29,425,156	12,688,917
Tong Yang Life Insurance Co., Ltd.	40,000,000	base rate + 2.7%	13,591,099	29,425,156	12,688,917
Shinhan Life Insurance Co., Ltd.	30,000,000	base rate + 2.7%	10,193,325	22,068,867	9,516,689
LIG Insurance Co., Ltd.	20,000,000	base rate + 2.7%	6,795,550	14,712,577	6,344,459
	₩ 250,000,000		₩ 84,944,371	₩ 183,907,228	\$ 79,305,734

12. Corporate Bonds

The Company issued unsecured corporate bonds of KRW 250 billion by public offering on May 31, 2011. The terms of the bonds are as follows:

	Maturity	Annual Interest Rate(%)	Guarantee provider	Won (thousands)	U.S. dollars (Note 2(b))
Tranche 1-1	May 31, 2016	4.57	Unguaranteed	60,000,000	56,017,179
Tranche 1-2	May 31, 2018	4.97	Unguaranteed	190,000,000	177,387,731
Discount on bonds				250,000,000 (843,872)	233,404,910 (787,855)
				249,156,128	232,617,055

The principal amount will be repaid in full on the maturity date. The bond issuance cost, which is recognised as a bond discount, will be amortized until the maturity date.

Notes to Non-consolidated Financial Statements, Continued

13. Paid-in Capital

The Company is authorized to issue 4,000,000,000 shares and the number of outstanding shares is 331,459,341.

14. Distribution

The Company paid cash distributions amounting to ₩127,612 million and ₩115,679 million in 2012 and 2011, respectively.

15. Other Expenses

Other expenses for the years ended December 31, 2012 and 2011, are as follows:

	Won (thousands)		U.S. dollars (Note 2(b))	
	2012	2011	2012	
Amortization of deferred costs	₩ 378,391	₩ 360,374	\$ 353,273	
Credit facility fees	1,547,423	6,804,511	1,444,705	
Service fees	1,538,090	1,281,609	1,435,991	
	₩ 3,463,904	₩ 8,446,494	\$ 3,233,969	

16. Income Taxes

As long as the Company distributes 90% or more of its distributable income in the form of a distribution to its shareholders, such distributions are deducted from taxable income under the Corporate Income Tax Law.

For the years ended December 31, 2012 and 2011, the Company did not pay income taxes because it deducted distributions from taxable income by distributing 90% or more of its distributable income.

17. Insurance

As of December 31, 2012, the Company carries directors & officers compensation liability insurance amounting to ₩20,000 million with Hyundai Marine & Fire Insurance Co., Ltd.

18. Net Asset Value Per Share

Net asset value per share as of December 31, 2012 and 2011, is as follows:

	Won (thousands, except share and per share data)		U.S. dollars (Note 2(b))	
	2012	2011	2012	
Total assets	₩ 2,055,283,394	₩ 2,126,520,052	\$ 1,918,852,949	
Total liabilities	343,090,279	440,838,372	320,315,824	
Net assets	1,712,193,115	1,685,681,680	1,598,537,125	
Number of outstanding shares	331,459,341	331,459,341	331,459,341	
Net asset value per share in Won and U.S. dollar	₩ 5,166	₩ 5,086	\$ 4.82	

Notes to Non-consolidated Financial Statements, Continued

19. Earnings Per Share

Earnings per share for the years ended December 31, 2012 and 2011, is calculated by dividing net income by the weighted-average number of shares outstanding as follows:

	Won (thousands, except share and per share data)		U.S. dollars (Note 2(b))	
	2012	2011	2012	
Net income per accompanying statements of income	₩ 154,123,282	₩ 105,584,302	\$ 143,892,524	
Weighted-average number of shares outstanding ^(*)	331,459,341	331,459,341	331,459,341	
Earnings per share in won and U.S. dollars	₩ 465	₩ 319	\$ 0.434	

(*1) The Company's weighted average number of shares outstanding as of December 31, 2012 is 331,459,341 and there has been no change for the years ended December 31, 2012 and 2011.

Corporate directory

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MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

This annual report is only for information purposes and will not override the various reports produced as required under legislation, which should be the prevailing documents for legal reporting purposes.

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MANAGEMENT FEE

MKAM, as the manager for MKIF, is entitled to a management fee.

FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with Korean Generally Accepted Accounting Principle (GAAP) and Applicable Korean Law.

COMPLAINTS HANDLING

If you have any enquiries or complaints, please contact:

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Macquarie Korea Infrastructure Fund
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E-mail: mkif@macquarie.com

PRIVACY POLICY

We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us.

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