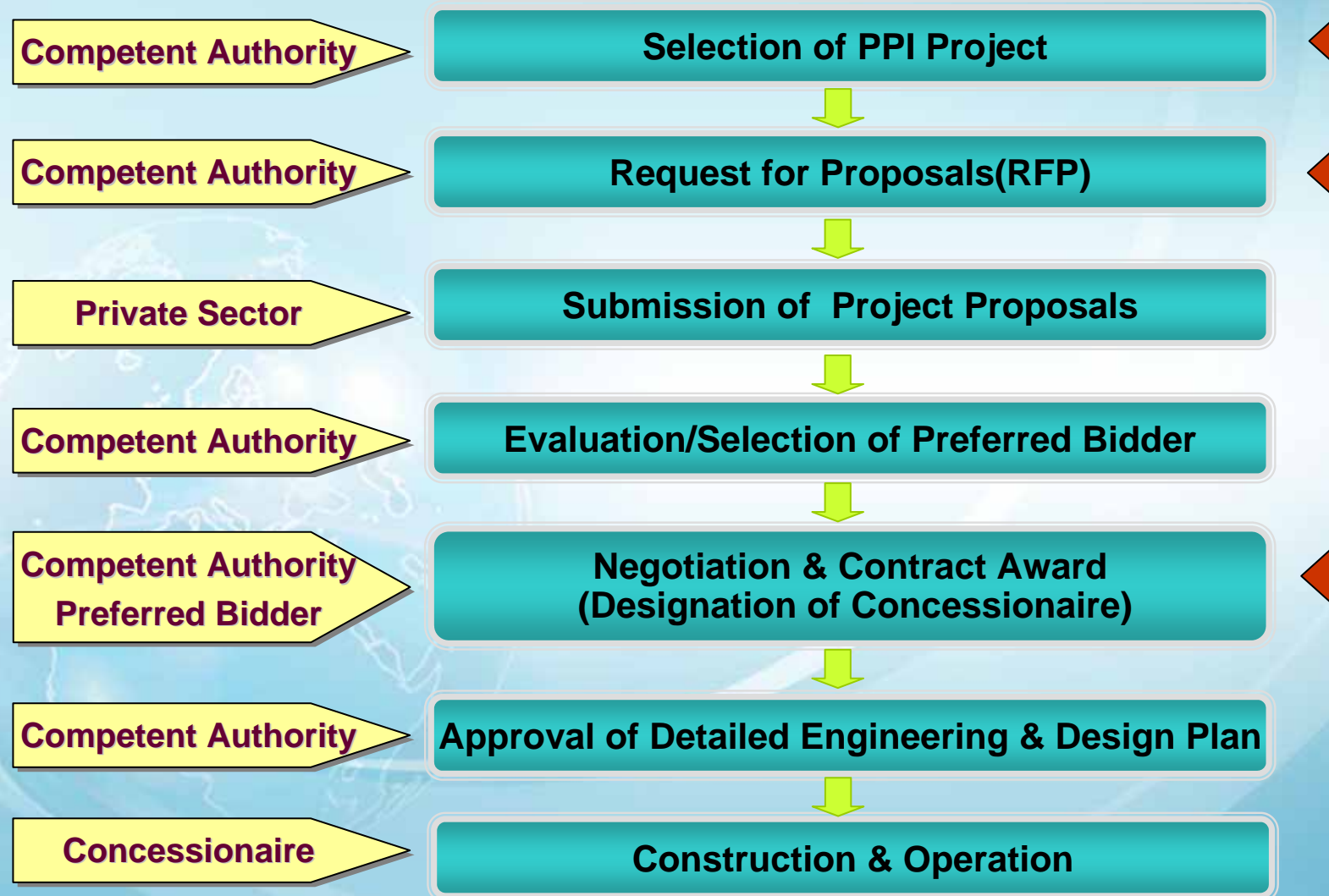


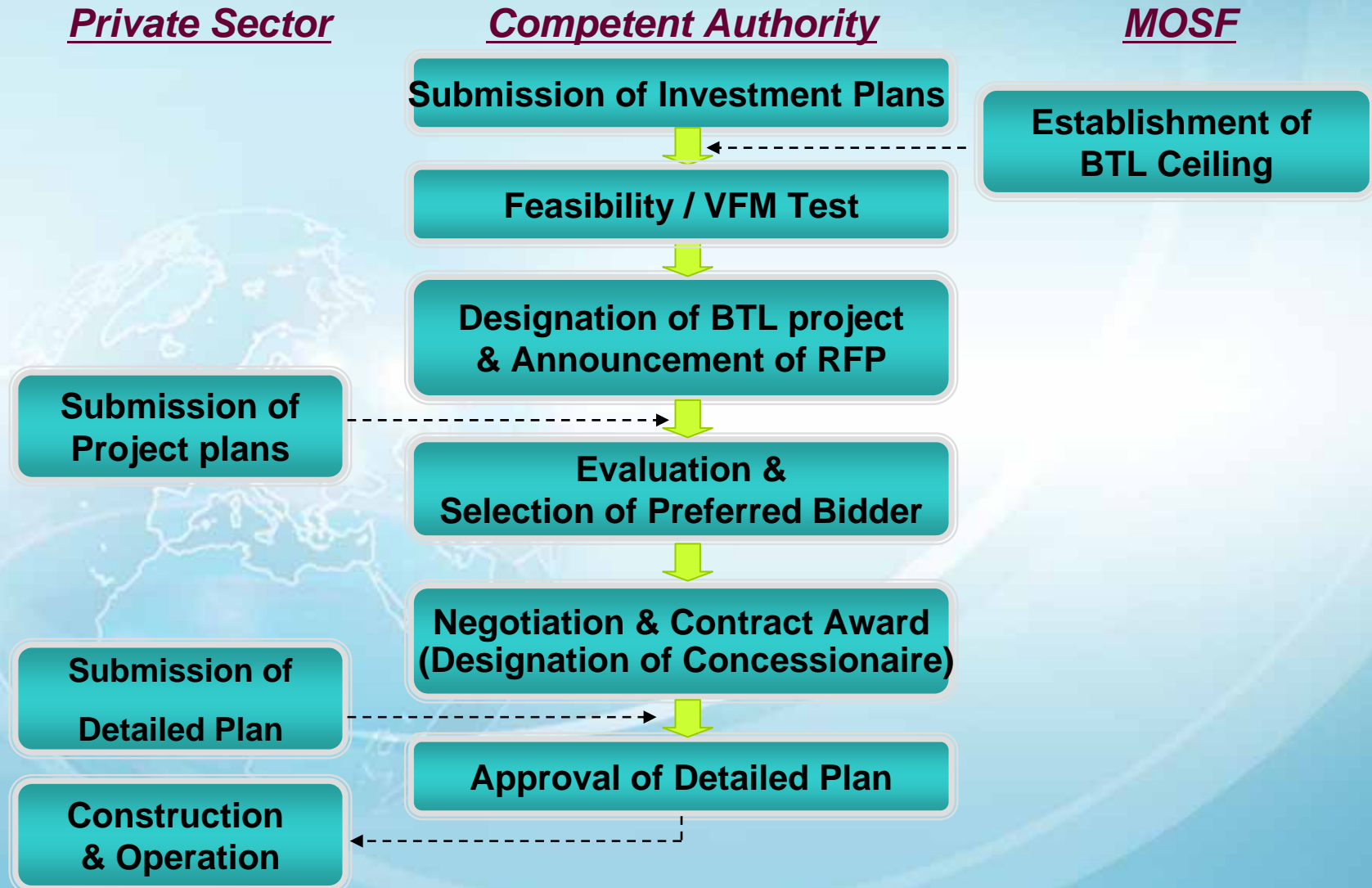
Implementation Process : Solicited Project



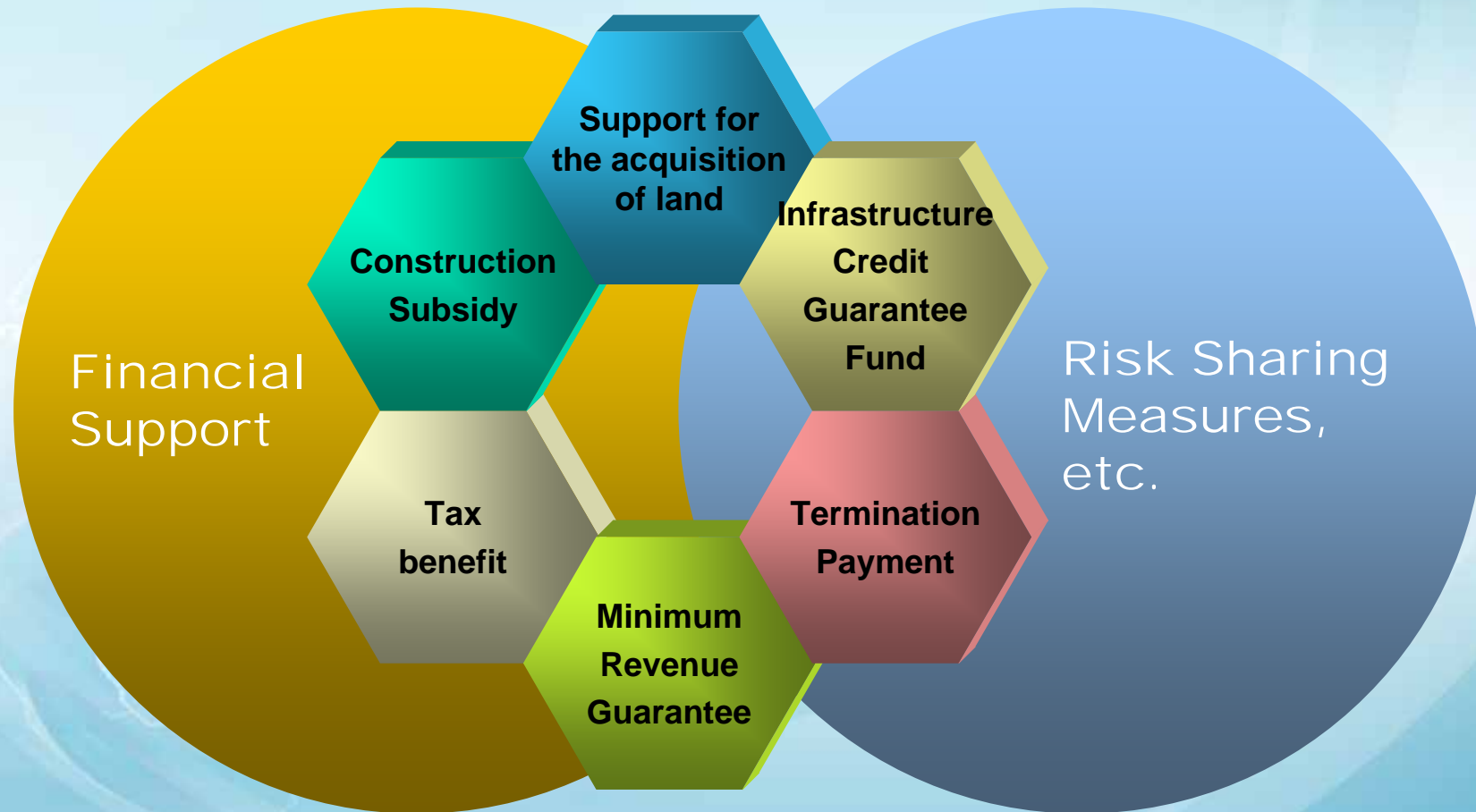
Implementation Process : Unsolicited Project



Implementation Process : BTL Solicited Project



Government Support



Gov't Support (BTO Type)

Construction Subsidy : 30~50% of Total Investment

- **Roads : Less than 30% of Total Investment**

** Recently most road projects have no construction subsidy*

- **Rails : Less than 50% of Total Investment**

- **Ports : Less than 30% of Total Investment**

- **Freight Terminals : No Construction Subsidy (BOO type)**

** Government provides access roads and rails*

MRG on Solicited Projects

■ Minimum Revenue Guarantee

- Adopted after Financial Crisis of the late 90s
Induced Private Investment in Infrastructure

■ No MRG with under 50% of Forecasted Revenue

■ Led to Inflated Demand Forecasting

Resulted in Increase of MRG Payment

➔ **Reduced Level of MRG for Solicited projects
& Abolished for Unsolicited Projects (2006)**

Modification of MRG Mechanism

	May 2003 ~ December 2005	Starting January 2006	
		Solicited Projects	Unsolicited Projects
Period	15 years	10 years	Abolished
Guarantee	First 5 years : 90% Next 5 years : 80% Last 5 years : 70%	First 5 years : 75% Last 5 years : 65%	
Condition	Revenue > 50% Forecasted Revenue		

Various Tax Benefits

- Exemption of Acquisition and Registration Tax
- Application of 0% Tax Rate on VAT
- 15% Separate Taxation on Interest Income from Infra Bond
- Separate Taxation on Dividend Income from Infra Fund

Concession Termination Payment

- Force Majeure, Bankruptcy, etc

The background of the slide features a blue sky with white clouds. A large, semi-transparent blue wave-like shape curves across the middle of the slide. Below this wave, there is a grid pattern of blue lines, and a bright light source creates a lens flare effect on the left side.

II. Performance Highlights

Private Investment Trend

■ Increase in PPI to Complement Public Investment

- PPI Investment : ('98) 0.5 trillion ('07) 3.1 trillion KRW
- Share of PPI to Public Investment : ('98) 3.9 % ('07) 16.8%

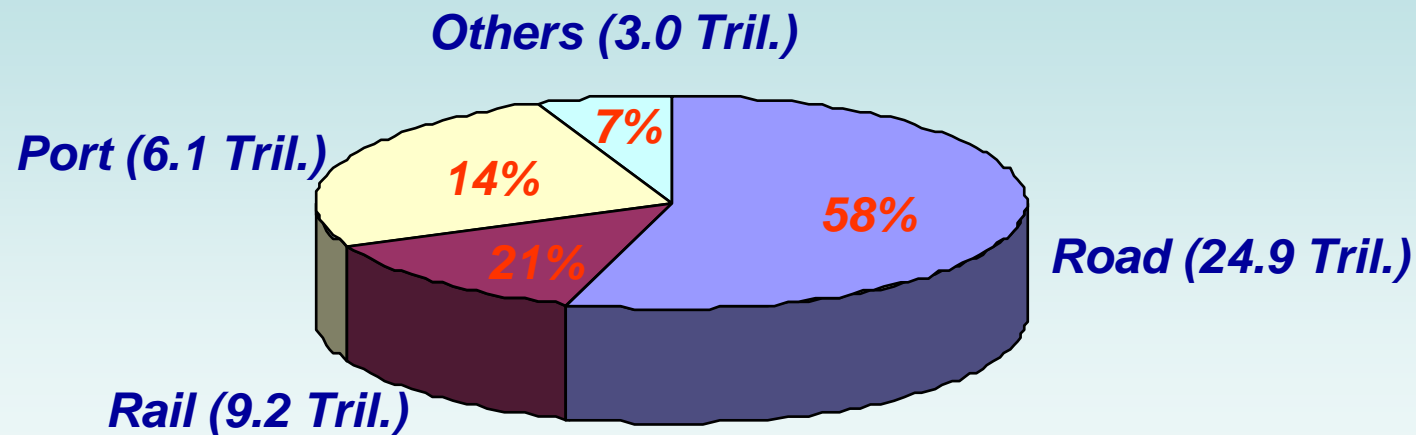
(Unit : Trillion KRW)

	'98	'00	'02	'04	'06	'07
Public Investment in Infrastructure(A)	12.7	15.2	16.0	17.4	18.4	18.4
PPI Investment(B)	0.5	1.0	1.2	1.7	3.0	3.1
<i>B/A</i> (%)	<i>3.9</i>	<i>6.6</i>	<i>7.5</i>	<i>9.8</i>	<i>16.3</i>	<i>16.8</i>
<i>B/(A+B)</i> (%)	<i>3.8</i>	<i>6.2</i>	<i>7.0</i>	<i>8.9</i>	<i>14.0</i>	<i>14.4</i>

Sector Analysis : BTO

- Total project costs of signed BTO projects as of June 2008 amount to KRW 43.2 Trillion

< BTO Projects by Facility Types – Contract Signed >

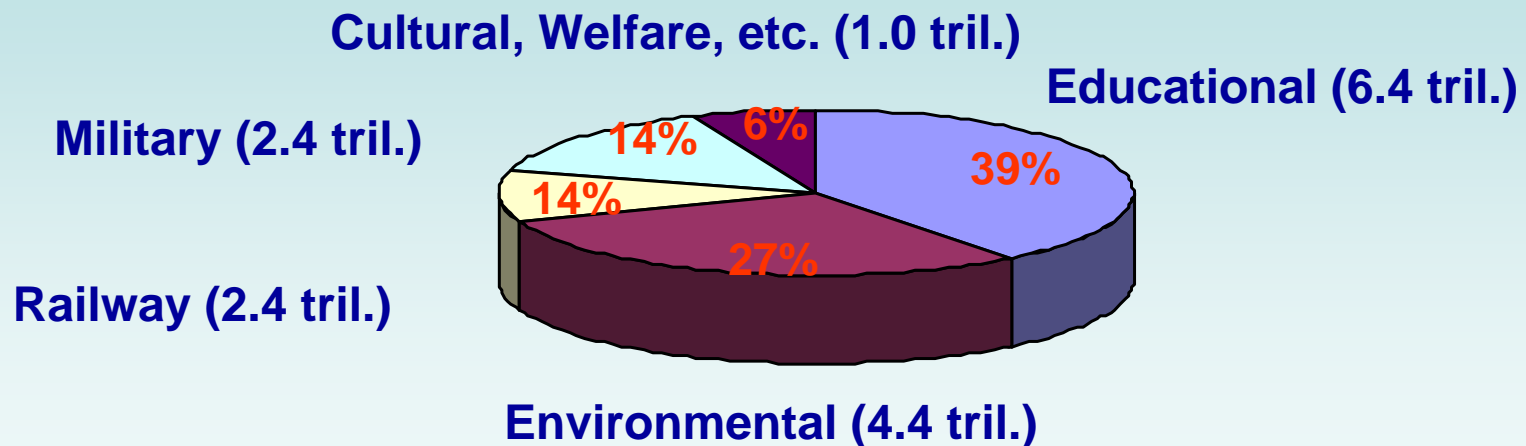


* Nationally Managed Projects only

Sector Analysis : BTL

- **Total project costs of BTL projects which announced RFP as of June 2008 amount to KRW 16.6 Trillion**
 - Among 292 projects, 231 projects were signed (11.2 trillion)

< BTL Projects by Facility Types – RFP Announced >



Key Success Factors

■ **Solid Legal Framework Corresponding to International Standards**

- Clear & Consistent Implementation Procedure Regulated by PPI Act & Implementation Guidelines
- Fair & Equal Treatment of Domestic & Foreign Investors

■ **Strong Government Commitment & Supports**

- Construction Subsidy, MRG, Mitigation of F/X Risks, etc.
- Technical Assistance Provided by PIMAC
 - Review of RFPs & PPI Contracts, Assistance in Project Evaluation & Negotiation, Research for PPI Policies & Guidelines, etc.

■ **Central Role of MOSF**

- Develop National PPI Policies, Guidelines, & Fiscal Rules
- Coordinates Sectoral PPI Plans & Establish Comprehensive Investment Plans
- Review & Approve Nationally Managed PPI Projects
 - MOSF convenes PPI Committee when necessary