



Korea Water Resources Corporation

Investor Presentation

May 2014



Disclaimer

THE INFORMATION IN THIS WEBSITE IS BEING PRESENTED TO YOU SOLELY FOR YOUR INFORMATION AND CONVENIENCE ONLY AND MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON OR PUBLISHED, IN WHOLE OR IN PART, FOR ANY PURPOSE.

Securities of Korea Water Resources Corporation (the "Issuer") have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Securities of the Issuer may not be offered or sold in the United States absent registration under the Securities Act or pursuant to an exemption from registration. Any offer of securities will be made by means of an offering circular that will contain detailed information about the Issuer and its business, including financial statements.

The information contained in this website does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities of the Issuer, nor does it constitute a prospectus, offering circular or other offering document, in whole or in part, nor should it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. The information contained in this website does not constitute a recommendation regarding any securities of the Issuer.

Any decision to purchase securities in the context of the offering of securities, if any, should be made solely on the basis of information contained in a prospectus, offering circular or other official offering documents published and issued by the Issuer in connection with such an offering (collectively, the "Offering Documents").

By accessing this website each investor is deemed to represent that it is and any customers it represents are located outside the United States. The information contained in this website is only directed at such investors and any investment or investment activity to which the information in this website relates is only available to, and solicitations resulting from the information in this website will only be responded to, such investors. Other persons should not rely or act upon the information in this website or any of its contents.

Investors must rely solely on their own examinations of the Offering Documents and the offering in making a determination as to whether to invest in the securities. Prospective investors should undertake their own independent assessment with regard to their investment and appraisal of the business and financial condition of the Issuer and the nature of the securities. Prospective investors should obtain independent advice on any such investment's suitability, inherent risks and merits and any tax, legal and accounting implications which it may have for them.

Disclaimer (Continued)

The information in this website has not been independently verified and no representation or warranty, expressed or implied, is made as to, and no reliance should be placed on, the information or opinions contained herein. The information set out herein may be subject to revision and may change materially. The Issuer is not under any obligation to keep current the information contained in this website and any opinions expressed herein are subject to change without notice. Neither the Issuer nor any of its affiliates, advisers or representatives shall have any liability whatsoever for any loss whatsoever arising from any use of the information in this website, or otherwise arising in connection with the information in this website (whether direct, indirect, consequential or other).

Certain statements contained in this presentation may be statements of future expectations and other forward-looking statements and those based on third party sources and involve known and unknown risks and uncertainties. Forward-looking statements contained in this presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. There is no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this presentation.

By accessing this website, you agree to be bound by the foregoing limitations.

Strong Link with Government

- **100%** Government Ownership  
- Strong Financial Support
('09 536, '10 643, '11 771, '12 836, '13 909, '14 852 KRW bn)
- Management Appointed Directly by the Government
- Credit Rating: **A1(Moody's)/A+(S&P)**

Pivotal Policy Role



- Importance of water resources to the national economy
- **Sole Public Entity** for Many Water- Related Businesses
- Practically **No Privatization Risk**

Legal Framework for Government Support

- Gov't to maintain **a minimum 50% ownership**
- Basis for **financial support** from the gov't
- K-water mandated as the gov't **policy implementation arm** for water related businesses

Solid Financial Profile

- Sound Capital Structure

(Debt/Capitalization : 50.30%)

- Strong Profitability

(EBITDA Margin : 40.8%)

- Ample Liquidity

(Credit Line of KRW 1,190 bn, Cash of KRW 749 bn)



As of 2013



Contents

1

Overview of K-water

Company Overview, Key Milestones, Business Overview, Operations Overview

2

Relationship with the Government

Ratings Commensurate with the Sovereign, Ownership Structure, Legal Framework for Government Support, Integral Link with the Government, Financial Support from the Government.

3

Key Policy Role

Key Policy Role in Water System, Dominant Market Share

4

Key Projects

Waterworks - Water Supply, Government-led Projects

5

Financial Profile

Financial Highlights

Overview of K-water



Establishment & Vision



established in **1967**

To become a leading water resources company in the world

Key Roles and Objectives

Key implementation arm of the Korean Government

- Develop & manage water resources
- Improve the quality of water
- Carry out flood control measures

Organization

- **Divisions : 16**
- **Departments : 53**
- **Employees : 4,308**

'13 Financial Summary

Unit: KRW tr



Key Milestones

The only water resources company in Korea with a unique mission

Initial Stage (1967~1973)

- Established as Korea Water Resources Development Corporation (1967)
- Completed construction of Soyonggang Multi-purpose dam (1973)
- Completed a study on the feasibility of 4-large river valley project (1973)

Take-off Stage (1974~1987)

- Reorganized as Industrial Sites and Water Resources Development Corporation (1974)
- Ground-breaking Ceremony of Gumi Industrial Complex (1977)
- Completed Construction of Daecheong Multi-purpose dam (1980)
- Completed construction of Geumgang Regional water works (1984)
- Completed construction of Chungju Multi-purpose dam (1985)
- Completed construction of Nakdong River barrier (1987)
- Completed 3rd stage of Seoul metropolitan area waterworks

Growth Stage (1988~2006)

- Reorganized as Korea Water Resources Corporation (1988)
- Completed construction of Hapcheon multi-purpose dam (1989)
- Acquired ISO 9001 Certification (first ever by a government-funded institution) (1996)
- Signed agreement for consigned management of Nonsan local water works (first ever consignment of local waterworks) (2004)
- Completed construction of International Water Analysis Center (IWAC) (2004)
- Completed construction of Ulsan Multi-regional waterworks (2005)

Growth as a total water Service company (2007~Present)

- Completed construction of Metropolitan Integrated Operation Center (2007)
- Commenced the Patrind hydropower project in Pakistan (first ever overseas investment project) (2009)
- Completed construction of Gunwi multi-purpose dam (2010)
- Completed the world's largest tidal power plant in Sihwa (2011)
- Opened Gyeong-in Ara Waterway (2012)
- Opened The ARC (Architecture and Artistry of River culture) (2012)
- Completed construction of Buhang Multi-purpose dam (2013)



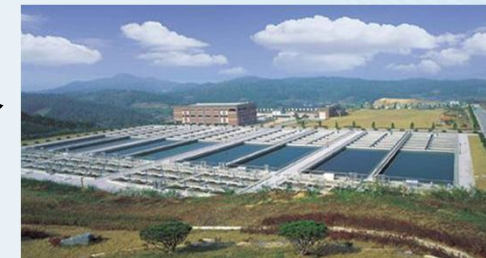
K-water maintains an diversified business mix with water resources and water supply business as predominant sources of revenue apart from private investment business

Water Resources Business



- Securing water resources for flood prevention
- Dam water supply business
- Water resources construction
- Hydro-electric power generation business
- 4 River facilities management

Water Supply Business



- Multi-Regional waterworks(wholesale) business
- Industrial waterworks business
- Local waterworks business
- Sewerage business

Others Business



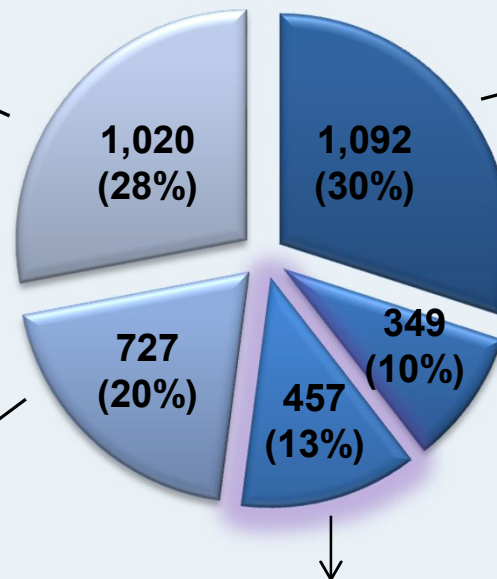
- Alternative energy business
- Overseas business
- Aggregates business
- Other consignment business

Urban Environment Business



- Development of industrial complexes
- Development of Special Areas
- Sales of lots at logistics center (Gyeong-In Canal)

Revenues (KRW bn)



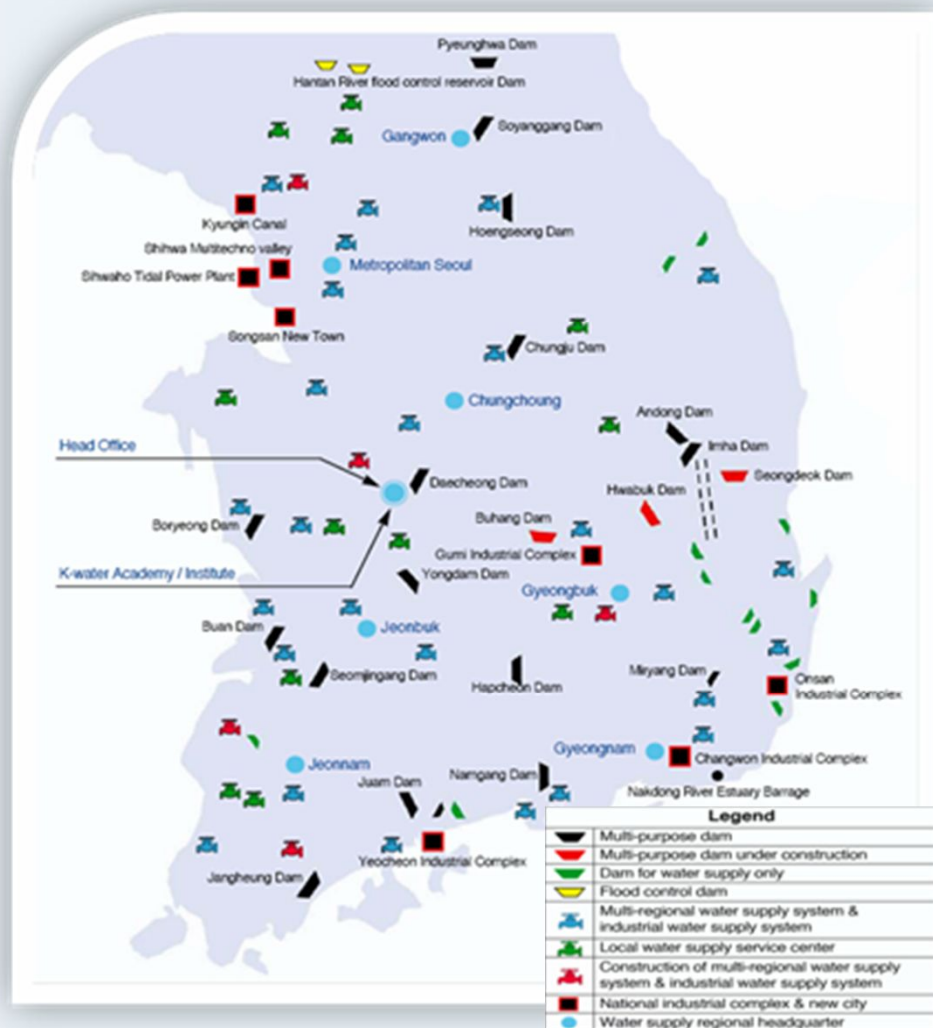
Private Investment Business



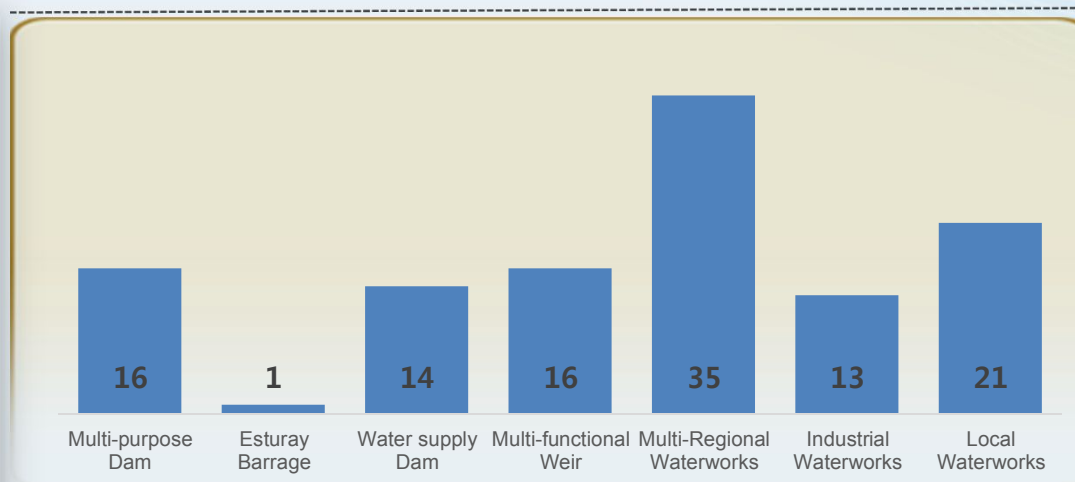
- Private investment projects including construction of dams and waterworks

Setup & Operation of Water Resources Management Systems across the Nation

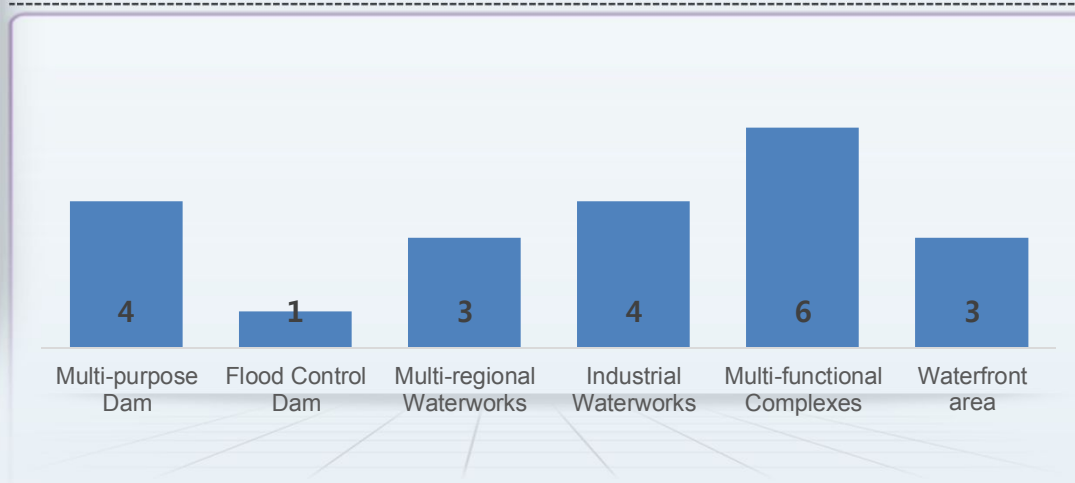
- HQ Water Management Center manages the operation of all multi-purpose and water supply dams
- The operation of waterworks systems are managed by 7 regional Operations Centers



Current Operations under K-water



Construction in Progress



Relationship with the Government



Ratings Commensurate with the Sovereign

Local
Ratings

STANDARD
& POOR'S

A+



Moody's

A1



A Moody's Affiliate
KOREA INVESTORS SERVICE
KOREA RATINGS NICE

AAA



Ratings Rationale

The ratings on K-water reflect our opinion that the likelihood of the Korean government providing timely and sufficient extraordinary support to the company in the event of financial distress is **"extremely high"**, "based on the following elements of our criteria for GREs: **"Very important" role to the government**. K-water plays an essential public policy function to develop and manage Korea's water resources. **"Integral" link with the government**. The government fully owns K-water and tightly supervises its management.

STANDARD
& POOR'S

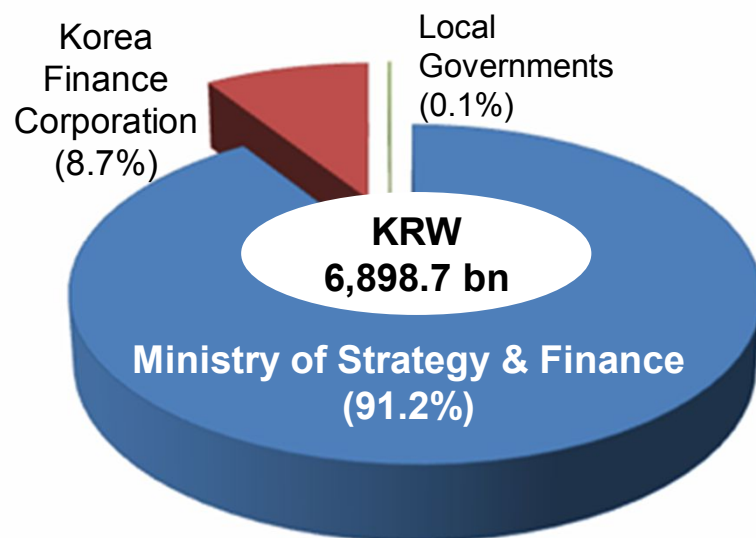
Excerpt from **S&P Ratings Direct** dated March 2014

Article 4 of the K-water Act

- Contributions to its capital may only be made by **local governments**, the **Korea Finance Corporation** and the **Government (MOSF)** with at least 50% of its outstanding capital being directly owned by the Government

Ownership Status

(as of YE 2013)

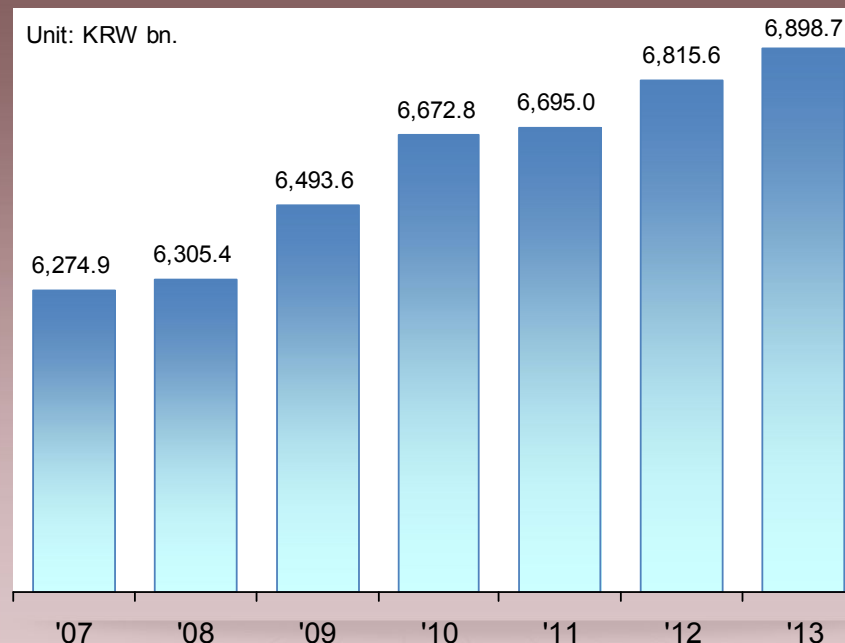


Practically no risk of privatization given its strategic importance

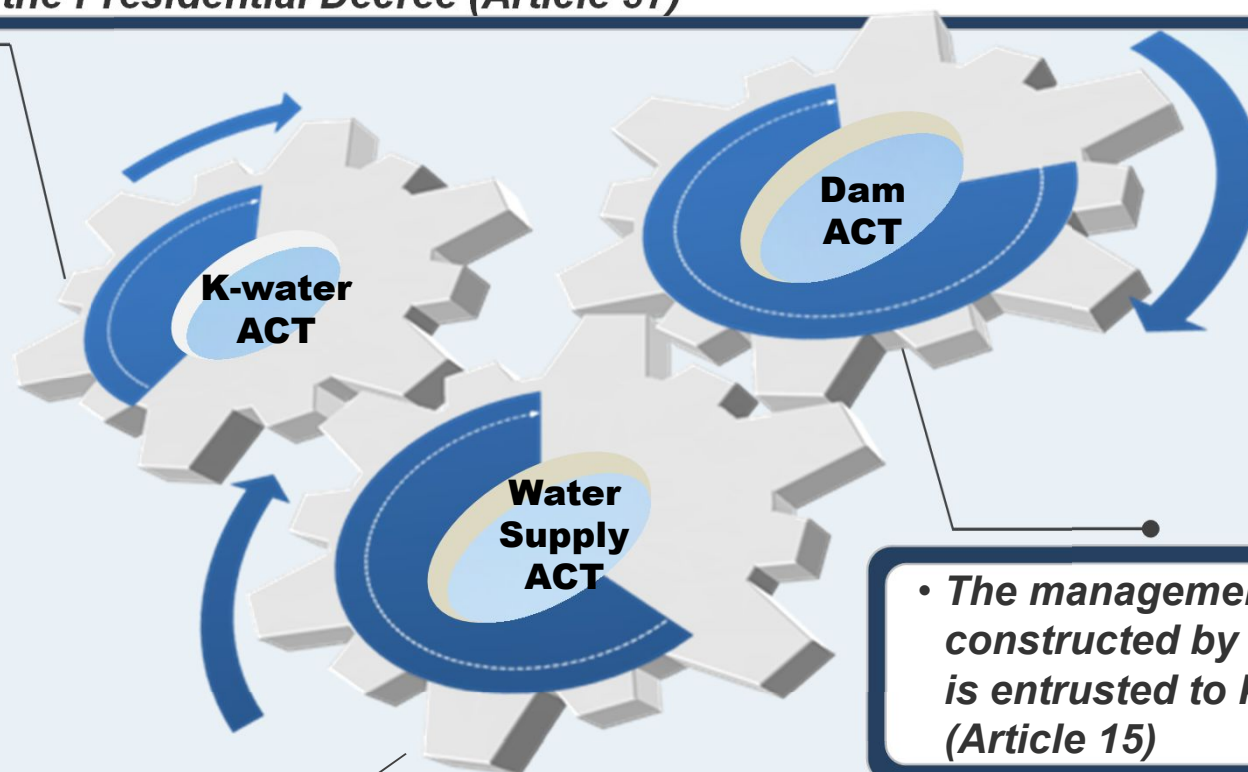
Annual Paid - in Capital

(Accumulative)

Unit: KRW bn.



- *The Government is allowed to provide guarantees on bonds issued by K-water (Article 13)*
- *The Government may wholly or partially subsidize expenses necessary for K-water's business as prescribed by the Presidential Decree (Article 37)*

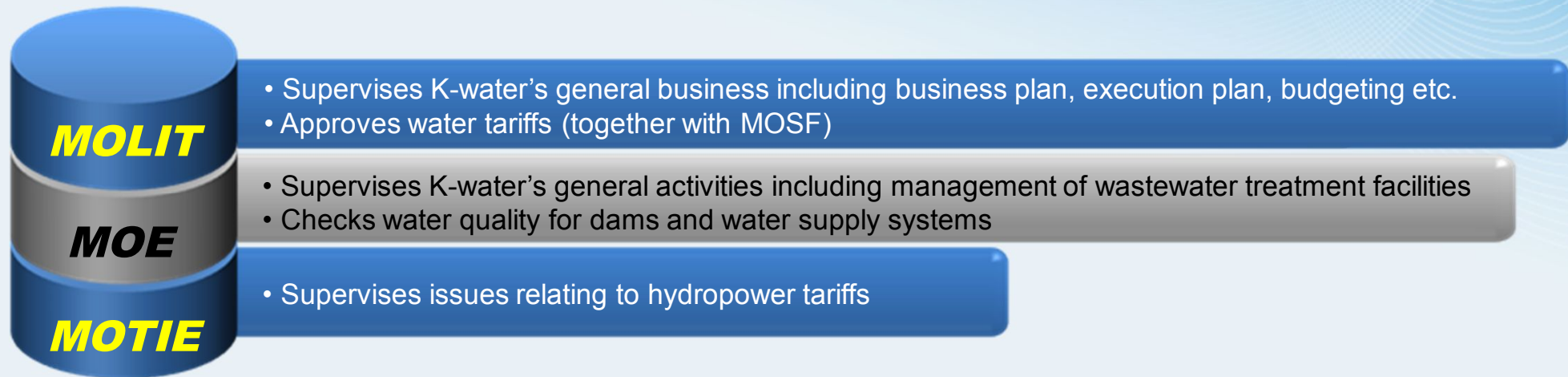


- *The management of dams constructed by MOLIT or K-water is entrusted to K-water (Article 15)*

- *Local governments may entrust the operation and management of waterworks facilities to a specialized institution appointed in accordance with the Presidential Decree (Article 23)*
- *MOLIT may entrust the management of waterworks facilities to K-water (Article 43)*

Integral Link with Government

- K-water acts as the central agency for the management of water resources in Korea.

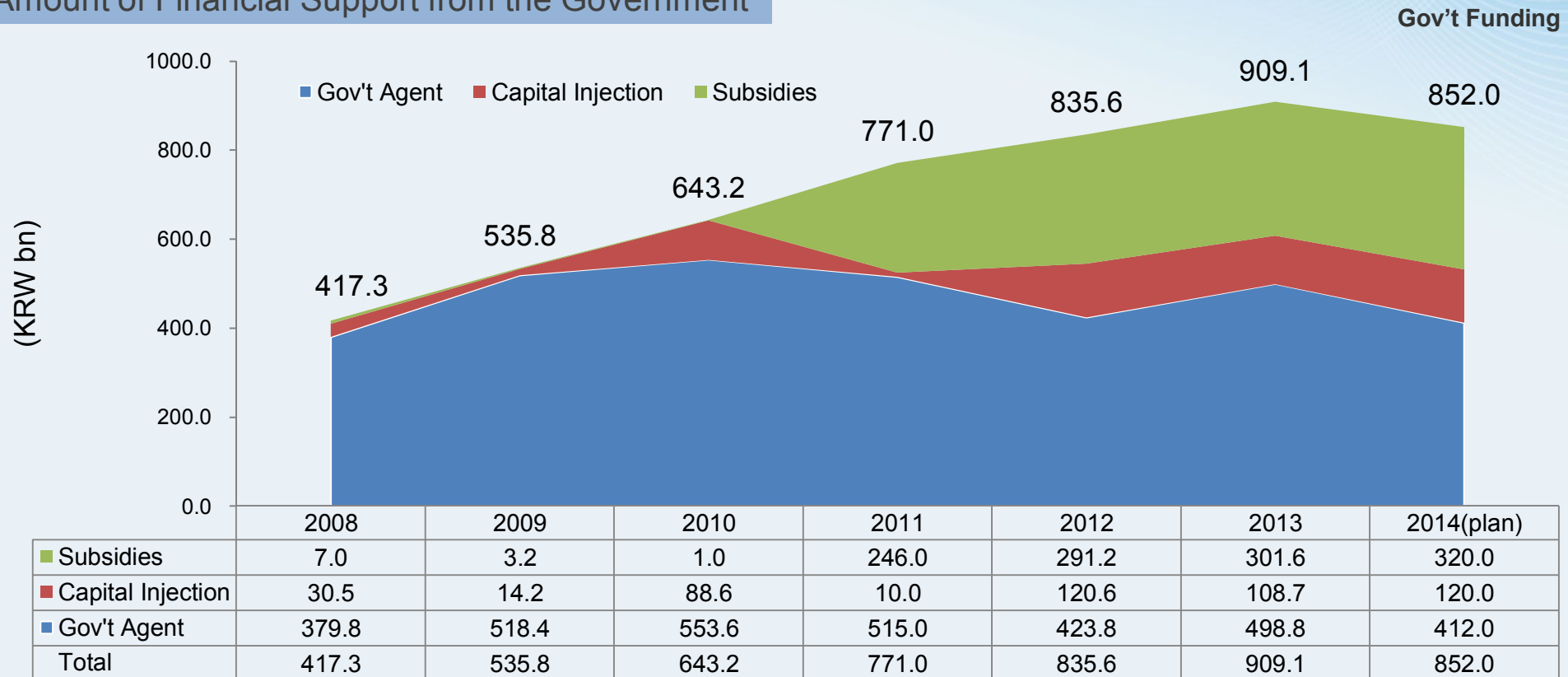


Responsibility		K water	MOLIT	MOE	MAFRA	MOSPA	MOTIE	Local Government
Dams	Multipurpose dams	●	●					
	Hydropower						●	
	Water supply dams	●	●					●
	Flood control dams	●	●					
Water supply (waterworks)	Multi-regional/Industrial	●	●					
	Local	●		●		●		●
Agricultural water supply	Agricultural				●			
Sewerage	Sewerage	●		●		●		●
River Management	National Rivers	●	●					
	Local Rivers	●						●

Note: MOLIT refers to the Ministry of Land, Infrastructure and Transport, MOE refers to the Ministry of Environment, MOTIE refers to the Ministry of Trade , Industry and Energy, MAFRA refers to the Ministry of Agriculture, Food and Rural Affairs, MOSPA refers to the Ministry of Security and Public Administration

- K-water continues to secure the Govn't capital injection and subsidies

Amount of Financial Support from the Government



Breakdown

Government Agency : Projects implemented by an entity on behalf of the state, funded with the national treasury
(i.e. dam construction, expansion of dam capacity)

Capital Injection : Businesses that involve production of public goods that the government invests in
(i.e. construction of waterworks, Gyeong-in Canal project)

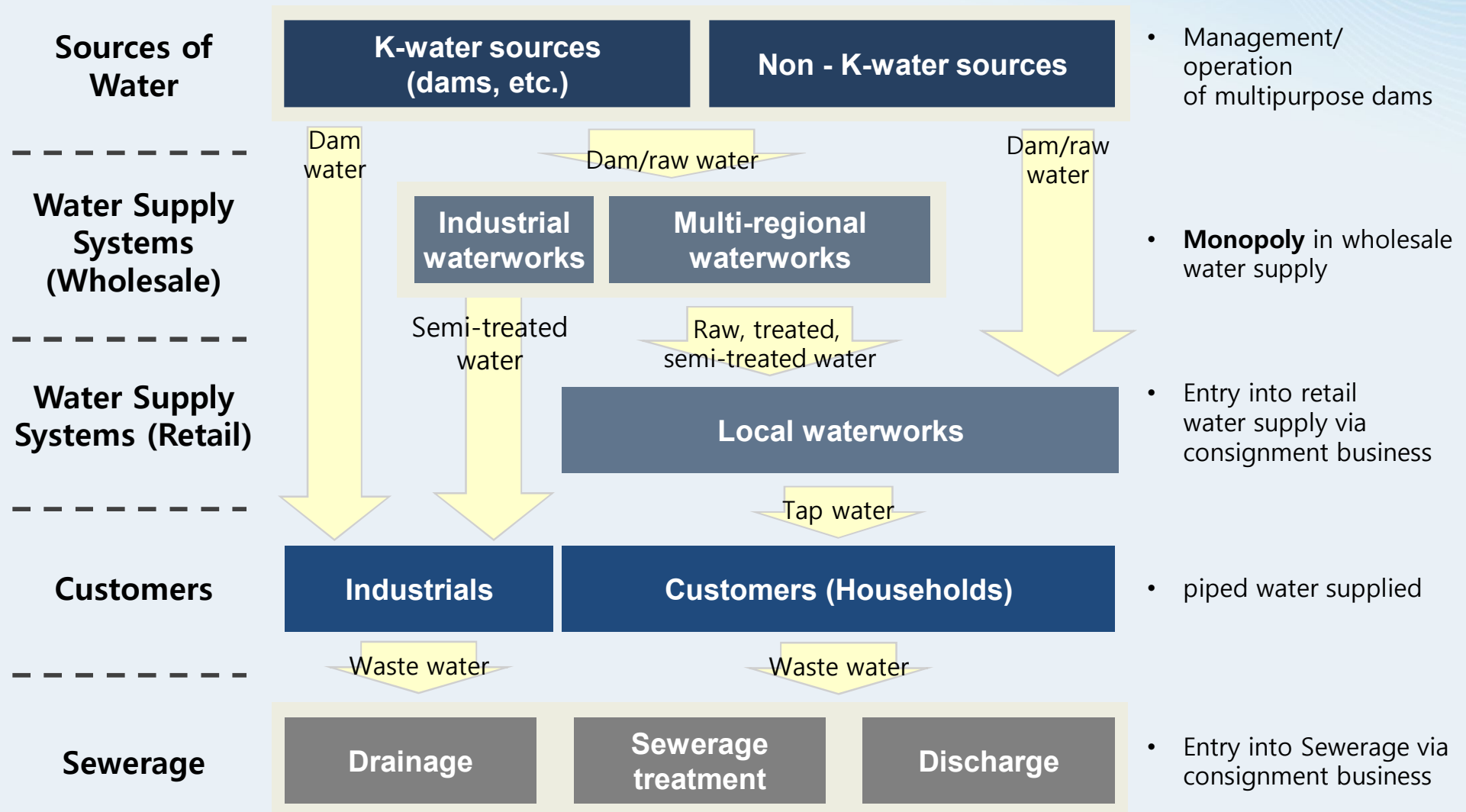
Subsidies : National projects funded by the state (i.e. financing cost of the Four River Restoration Project)

Key Policy Role

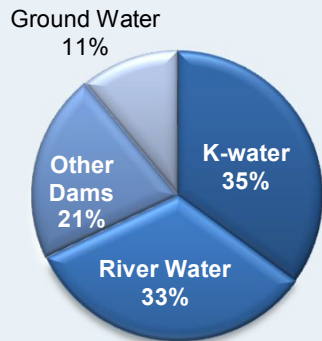


Key Policy Role in Water System

K-water plays an important and strategic public policy role in Korea's national water system



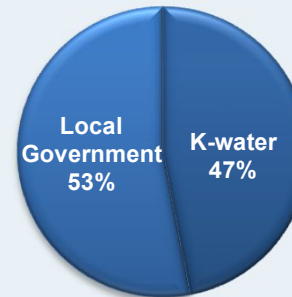
K-water's key policy role extends to flood control and hydro-power generation



Total Water Use

- 33.3 bn m³/yr (Total water use)
- Other Dams: Includes KHNP, KRC

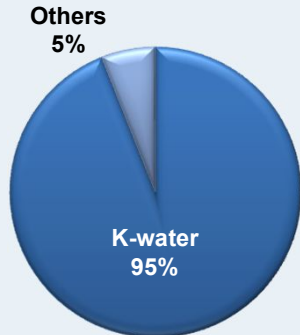
Source: Long Term Master Plan for Water Resources (2011-2020), MOLTI



Waterworks Supply Capacity

- 37.7 mm m³/day (Total Capacity)
- Others : Includes local governments

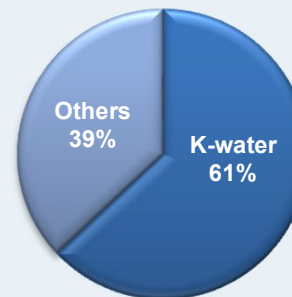
Source: Waterworks Statistics (2012), MOE



Flood Control

- 5.2 bn m³/yr (Total flood control)
- Others: Includes KHNP, KRC

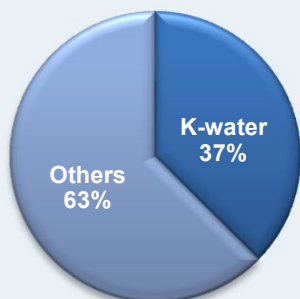
Source: Long Term Master Plan for Water Resources (2011-2020), MOLTI



Hydro Power Generation

- 1,746 MW/yr (Total Capacity)
- Others : Includes KHNP

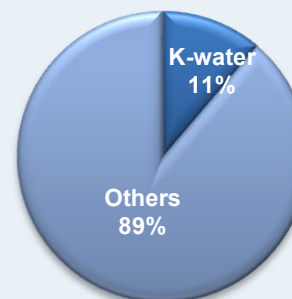
Source: Power Exchange System, Korea Power Exchange (2012)



National Industrial Complex Development

- 792 mm m² (Total designated Area as of End of 2012)
- Others : Includes LH

Source: National Industrial Statistics (2012), MOLTI



New & Renewable Energy Capacity

- 2,338 MW/yr (Total Capacity, exclude Hydropower)
- Others : Includes KHNP

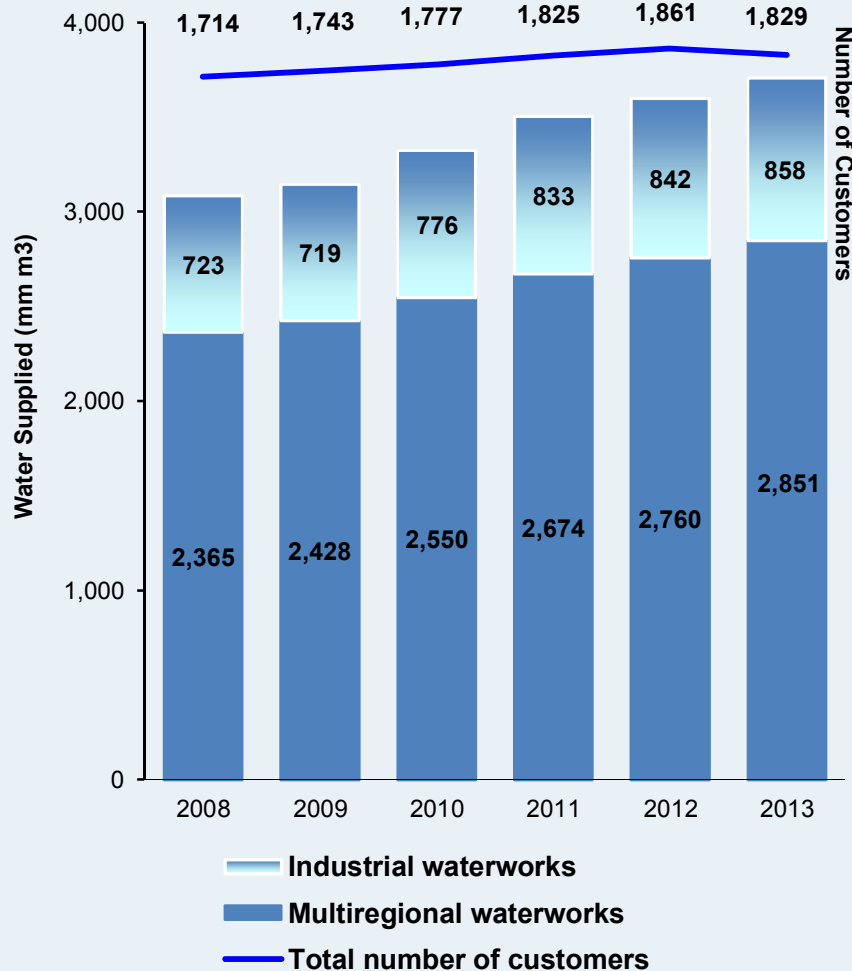
Source: Power Exchange System, Korea Power Exchange (2012)

Key Projects

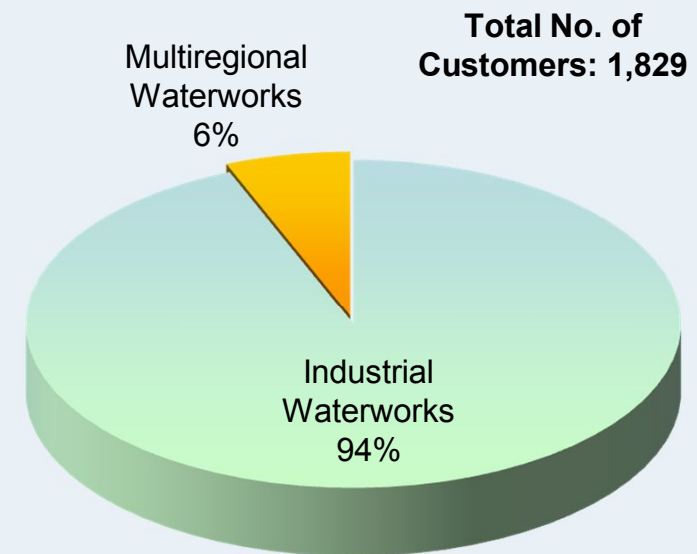


K-water is the dominant player in the industry with 46.5% market share in national water supply

No. of Customers and Water Supplied



Customer Breakdown ('13)



- No further significant capex required and more focus on collection
- Reinforces strategic importance & strong relationship with the government

Four River Restoration Project

Key Objectives and Details

- Mitigating water shortage, initiating flood control measures, improving water quality / ecosystem
- Construction of 2 multi-purpose dams, 16 weirs
- Dredge river bottom : 450 mm m³
- Ecological River Construction : 858 km
- Reinforcement Levee : 784 km

Capex Plans

(KRW trn)	~2010	2011	2012	2013	2014~	SUM
K-water	3.2	3.2	0.8	0.3	0.5	8.0
Government	4.0	3.3	0.1	-	-	7.4
Total	7.2	6.5	0.9	0.3	0.5	15.4

Return on Investment

On Principal Investments

- Waterfront development
- Profit from water supply and hydro power generation from Yeongju & Bohyunsan dams
- Other support measures through resolution at policy coordination meetings

On Financing Costs

- Support from allocation of government budget

Gyeong-In Canal Project

Key Objectives and Details

- Mitigating flood damage and traffic costs in Incheon and Bucheon areas
- Project Duration : 2009 - 2014
- Main Canal : 18km length, 80m width, 6.3m depth
- Terminal : Incheon: 245mm m², Gimpo: 170mm m²

Capex Plans

(Year)	~2012	2013	2014~	SUM
(KRW bn)	2,555.3	19.5	101.1	2,675.9

Return on Investment

- Government support for operational investments for government affairs
- Revenue from ports
- Sales of lots at logistics center
- Sales of port management rights

* Company Data

Financial Profile



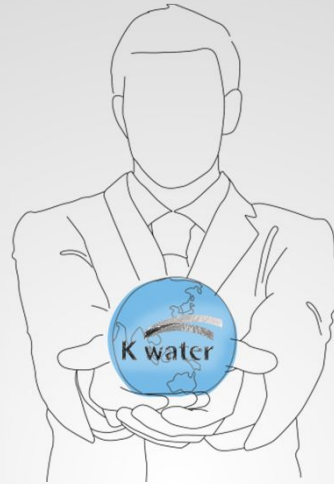
2013 Financial Highlights

- Achieved an all-time high net income of KRW 348.1bn
- Reduced Liabilities to Capital ratio by 2.0% and financial liabilities by KRW 265.5bn year-on-year
- The first decline since we started executing national project

Balance Sheet (KRW Billion)	2013	2012
Current Assets	5,785.5	5,213.0
Total Assets	25,603.9	25,016.4
Current Liabilities	3,358.5	2,722.7
Total Liabilities	13,998.4	13,777.9
Paid-in Capital	6,898.7	6,815.1
Total Equity	11,605.4	11,238.5
Total Liabilities & Owners' Equity	25,603.9	25,016.4

Income Statement (KRW Billion)	2013	2012
Revenue	3,645.4	3,668.4
Cost of Sales	2,989.3	3,117.1
SG&A	123.9	117.0
Operating Income	532.1	434.3
Income Before Tax	456.9	401.7
Net Income	348.1	308.3

Source: Company financials; all items under K-IFRS



Thank You

