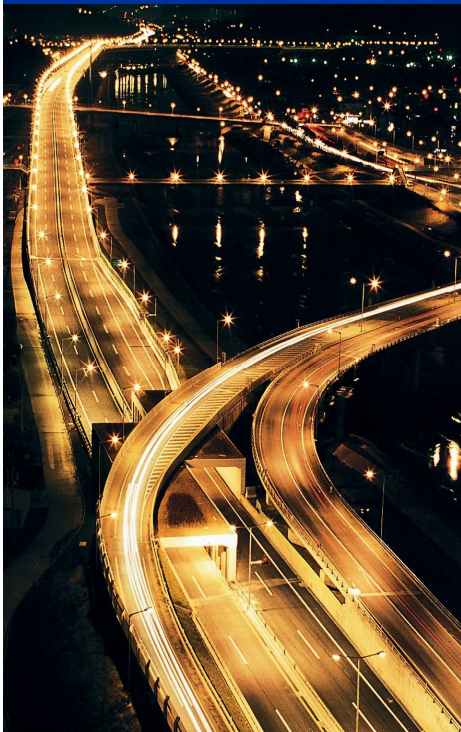




ONE STEP *FIRST*

## Performance in 2005 & goals for 2006

Mar 16, 2006



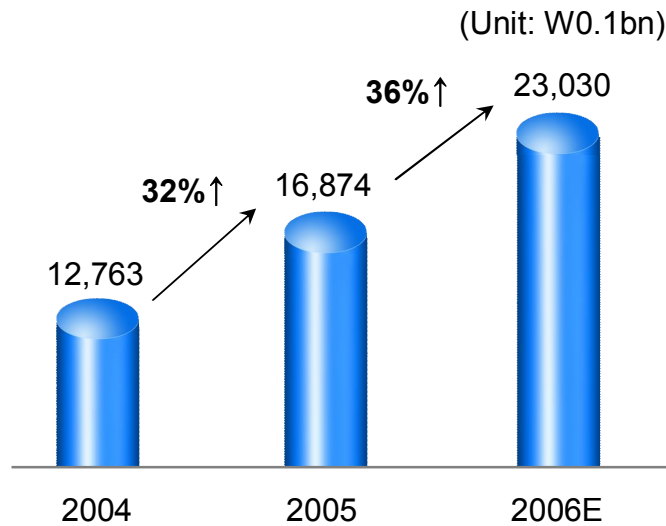
 **KOLON E&C**

# 1

## Performance & Goals

- 1-1. New orders
- 1-2. Backlog
- 1-3. Operating revenue
- 1-4. COGS-to-sales ratio
- 1-5. Profit
- 1-6. Borrowings
- 1-7. Capital stock
- 1-8. Shareholder
- 1-9. Dividends

# 1-1. New orders



	2004	2005	2006E
Civil Eng	3,048	3,250	5,200
Environment	767	980	1,780
Housing	5,357	10,140	13,850
Architecture	3,121	2,241	1,635
Plant	470	263	565
<b>Total</b>	<b>12,763</b>	<b>16,874</b>	<b>23,030</b>

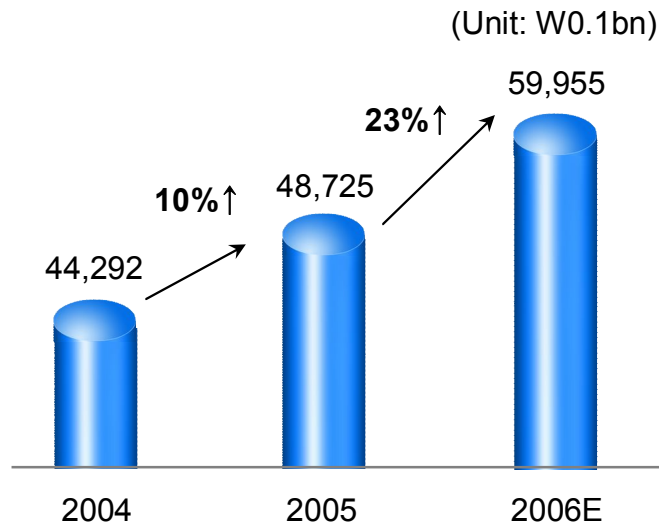
- **New orders increased 32% YoY in 2005**

- New housing orders rose 89% YoY on abundant reconstruction and redevelopment orders in Pusan, Daegu, Daejeon.
- New orders in the civil engineering and environment divisions increased 7% YoY on more turnkey and qualified projects.
- New orders breakdown, by division: civil engineering 19%, environment 6%, housing 60%, architecture 13%, plant 2%

- **New orders expected to rise 36% YoY (to 2.3t) in 2006**

- Civil engineering and environment divisions to concentrate on turnkey and SOC projects
- Housing division to continue enjoying more orders from metropolitan cities for reconstruction and redevelopment projects.
- Targeted new orders breakdown, by division: civil engineering 23%, environment 8%, housing 60%, architecture 7%, plant 2%

# 1-2. Order backlog



	2004	2005	2006E
Civil Eng	10,378	9,420	12,252
Environment	994	1,222	2,194
Housing	27,068	32,251	40,148*
Architecture	5,688	5,690	4,998
Plant	164	142	363
<b>Total</b>	<b>44,292</b>	<b>48,708</b>	<b>59,955</b>

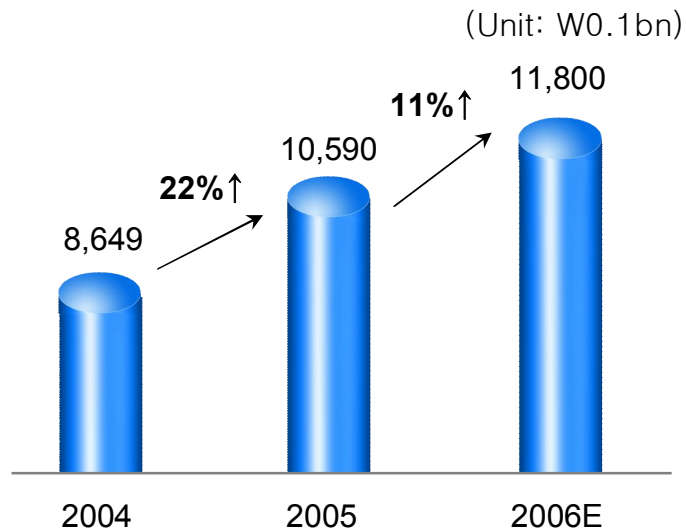
\* W721bn of provisional order backlogs included

- **Backlog at end-2005: W4.9tr (4.5x annual sales)**

- Backlog breakdown, by division  
Housing & architecture 78%,  
Civil engineering & Environment 22%
- Reconstruction/redevelopment order backlog: W2.7tr
- SOC order backlog: W0.3tr

- **New orders of W2.3tr to boost 2006 backlog to W6tr**

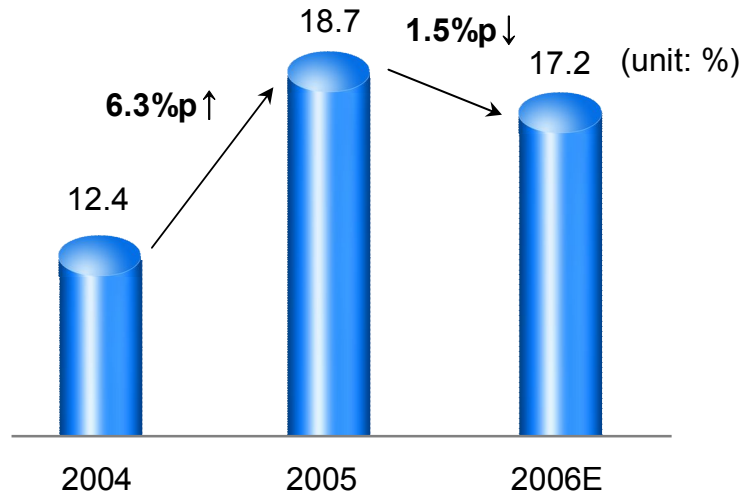
# 1-3. Revenue



	2004	2005	2006E
Civil Eng	2,563	2,637	2,368
Environment	672	738	808
Housing	3,046	4,868	5,953
Architecture	1,970	2,033	2,327
Plant	398	314	344
<b>Total</b>	<b>8,649</b>	<b>10,590</b>	<b>11,800</b>

- **2005 revenue to increase 123% YoY (housing division up 60% YoY)**
  - Sales breakdown, by division  
Civil engineering & environment 32%, housing 46%, architecture 19%, plant 3%
- **Sales to grow 11% YoY to W.1.2tr in 2006**
  - Sales breakdown, by division  
Civil engineering & environment 27%, housing 50%, architecture 20%, plant 3%
  - Housing division sales to increase 22% YoY
- **Abundant reconstruction & redevelopment backlog to bolster housing sales growth until 2010**

# 1-4. COGS-to-sales ratio



	2004	2005	2006E
Civil Eng	10.5	17.3	16.1
Environment	10.6	13.4	11.9
Housing	12.7	22.7	19.8
Architecture	15.9	14.9	14.5
Plant	8.8	7.3	9.6
<b>Total</b>	<b>12.4</b>	<b>18.7</b>	<b>17.2</b>

- In 2005, GP margin increased 6.3%p YoY to 18.7%**
  - Increased sales recognition from high-margin SOC projects and apartment projects in Daegu and Daejeon drove the outstanding improvement
- In 2006, COGS-to-sales ratio to increase 1.5%pts YoY**
  - Conservative on overall housing sector outlook
- GP margin to remain stable going forward**
  - Profitability-oriented new orders strategy
  - COGS-to-sales ratio of current backlog around 83%

# 1-5. Profit

(Unit: W0.1bn)	2004	2005	2006E
GP	1,075	1,984	2,025
(%)	(12.4)	(18.7)	(17.2)
OP	337	1,160	1,189
(%)	(3.9)	(11.0)	(10.1)
RP	(628)	1,013	1,100
(%)	(7.3)	(9.6)	(9.3)
NP	(476)	727	792
(%)	(5.5)	(6.9)	(6.7)

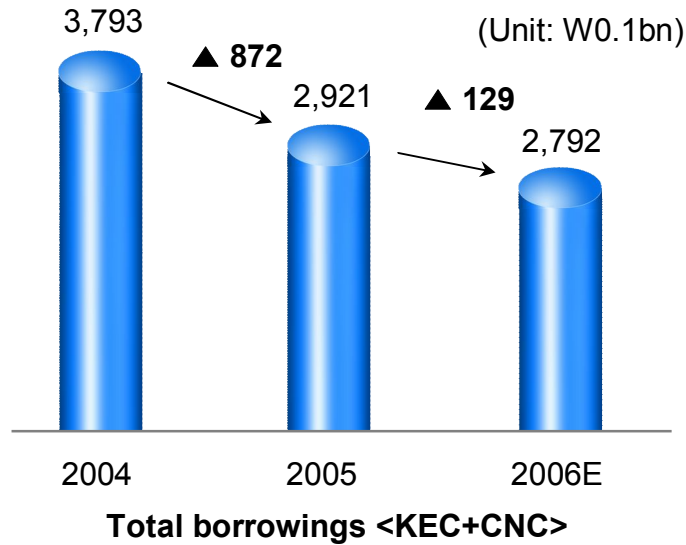
- **2005 RP of W101.3bn, vs RP loss of W62.8bn in 2004**

- Outstanding turnaround in 2005, thanks to decline in interest expenses on reduced borrowings.
- OP margin reached an impressive 11%

- **2006 RP to come in at W110bn**

- GP margin likely to slip a little due to stagnant housing construction sector
- 10.1% OP margin expected (better than construction sector average)

# 1-6. Borrowings



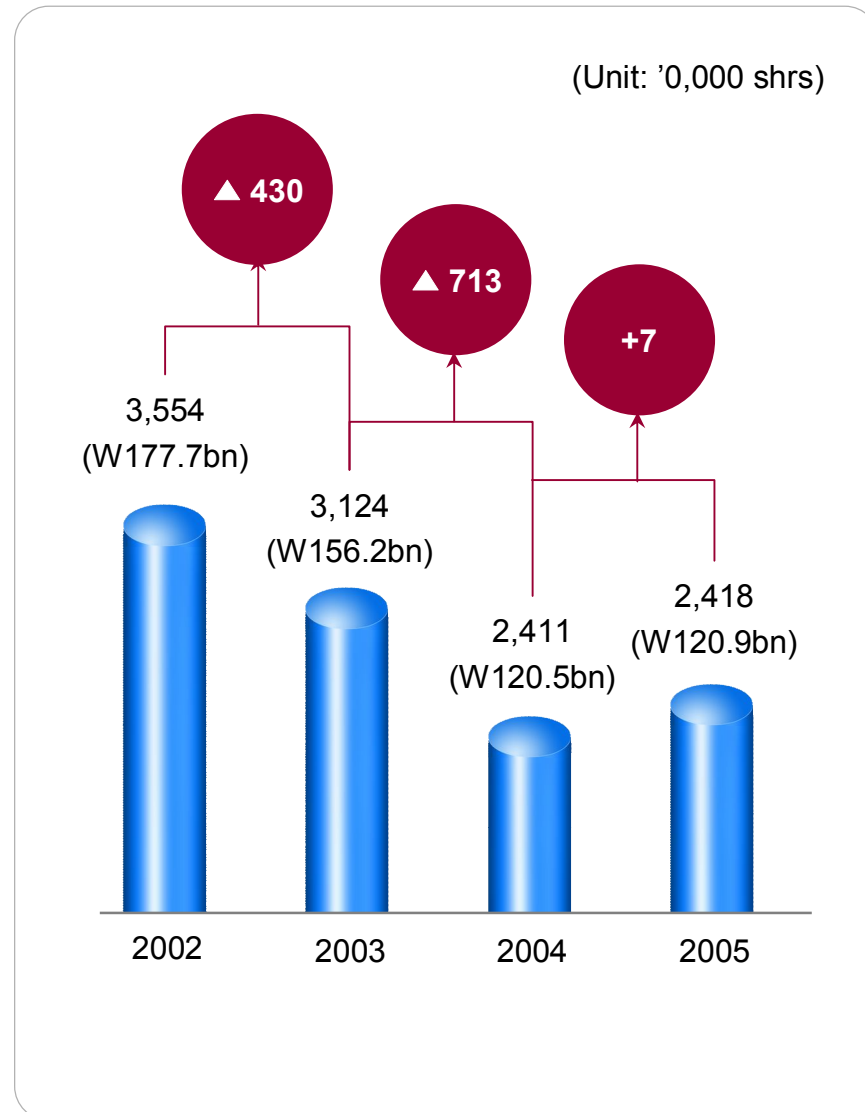
		2004	2005	2006E
Borrowings	KEC	2,009	1,408	2,239
	CNC	1,784	1,513	553
	Total	3,793	2,921	2,792
Net Borrowings	KEC	1,828	821	2,073
	CNC	1,615	1,218	521
	Total	3,443	2,039	2,594

※ KEC = Kolon E&C, CNC = Kolon CNC

- Total borrowings (including Kolon CNC's) down W87.2bn YoY in 2005**
  - Housing unit sales bring positive cash inflow from housing projects
  - Restructuring efforts:
    - Asset sales: Annex to Kolon Tower, plant, etc (W17.5bn)
    - Recovery of loans to ESOP (W11.4bn)
- In 2006, total borrowings (including Kolon CNC's) to decrease W12.9bn YoY**
  - Increase in balance due (1Q07) from housing projects already sold to cause temporary rise in total borrowings
  - CNC's borrowings to drop steeply to W55.3bn
- In 2005, Kolon E&C's debt-to-equity ratio declined to 199%**
  - 2004, 298% → 2005, 199% → 2006E, 187%



# 1-7. Capital stock



- **11mn treasury shares retired in 2003 and 2004 to raise shareholder value**

- **Outstanding shares : 24,178,732 (as of March 15)**

- Common stock : 21,899,615
- Preferred stock : 1,564,017
- Redeemable preferred stock : 48,320

- **Redeemable preferred shares**

- Expiration : May 2006
- 884,900 shares of total of 1,600,000 converted to common stock in 2005.

- **Subscription rights (as of March 15)**

- 2mn shares issued in 2002
- 1,906,720 shares retired in 2004
- 19,124 shares remain (74,094 converted to common stock in 2005)

# 1-8. Shareholder

(Estimates as of Dec 2005)

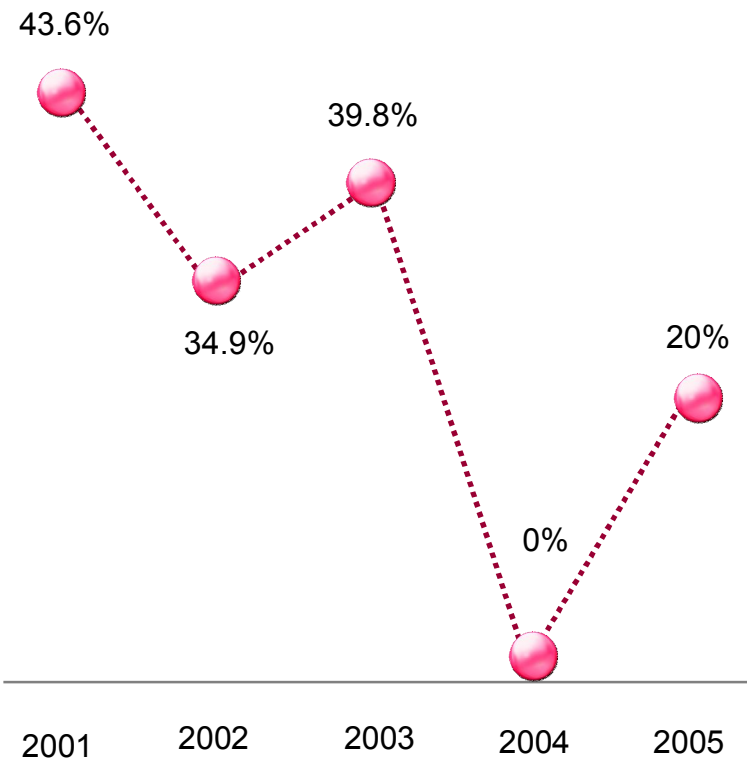
Shareholder	Stake ('000 shrs)	%
Kolon Industry	3,499	16.0
G.M.O fund	1,799	8.2
FnC Kolon	1,202	5.5
Oh-woon Cultural fund	732	3.0
Lee Dong-chan	301	1.4
Min Gyong-jo	184	0.8
Treasury stock	639	2.9
Free Float	13,624	62.2
<b>Total</b>	<b>21,900</b>	<b>100</b>

※ Based on common stocks

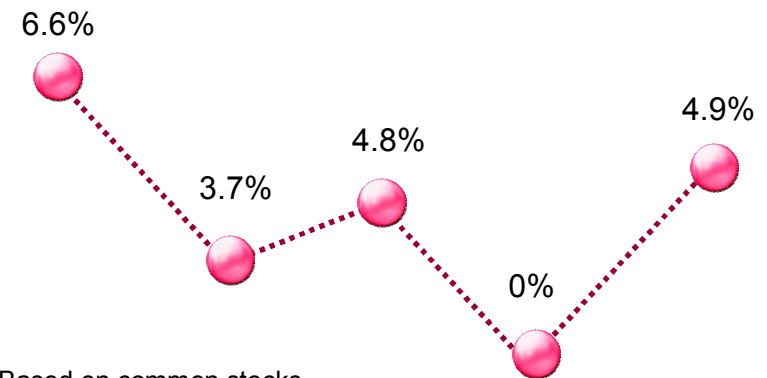
- **Kolon Group's ownership: 29.6%**
- **Treasury stock**
  - Acquisition cost: W12,277/share
- **Foreign shareholder ownership**
  - 22.6% (as of Feb 14, 2006)

# 1-9. Dividends

## • Payout ratio

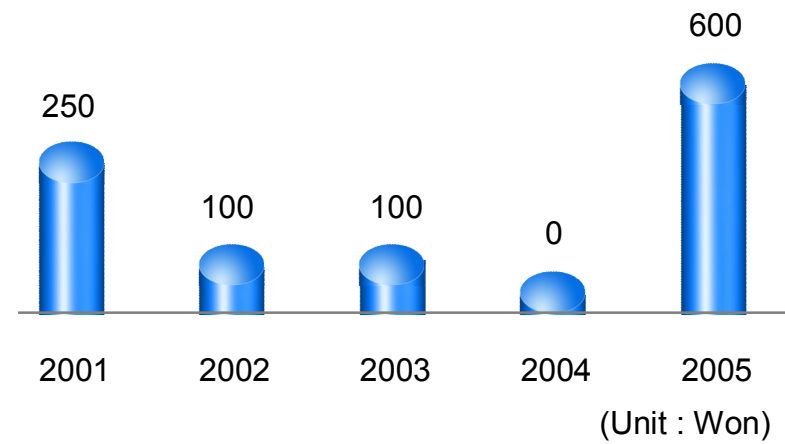


## • Yield



※ Based on common stocks

## • DPS



※ Based on common stocks

**2**

## **Investment Points**

# II. Investment Points

## Point 1. Foundation for stable growth

- Financial health has improved substantially following write-off of W100bn in troubled assets in 2004

- Non-operating expenses slashed

(unit : W0.1BN)	2003	2004	2005
Revenue	8,743	8,649	10,590
Non-op exp	561	1,195	308

- As of end-2005, order backlog amounted to W4.9tr (4.5x of annual sales)
  - Backlog comprises high-margin projects, enabling stable margin

	2003	2004	2005
OP margin	6.7%	3.9%	11.0%

## Point 2. Shareholder-friendly policy

- 11mn treasury shares retired in 2003 and 2004 to raise shareholder value
- Solid net profit in 2005 enabled healthy dividend
  - Payout ratio: 20%
  - Yield: 4.9%
- Continuous efforts to increase shareholder's value
  - Dividend policy: Either 4% yield or 20% payout ratio
  - "Stockholder club" to protect rights and interests of shareholders

# II. Investment Points

## Point 3. Selective order-taking = high margin

- Low-margin projects avoided; RP margin of at least 8% targeted for projects
- Investment deliberations occur step by step

Section	Contents
Level 1	Initial deliberations
Level 2	Junior Meeting
Level 3	Senior Meeting
Level 4	CEO decision

- Risk management system to be established to prepare for advance into new businesses and large development work

## Point 4. Reinforced brand power

- Following launch of “Hanulche” brand in 2000, continued efforts made to increase brand power
  - Greater brand investment  
W5bn in 2005 → W8bn in 2006
  - Housing galleries established in metropolitan areas, including Seoul
- To establish leading brand by continuing to reinforce brand power
  - Developing differentiated brand concept through collaboration with famous foreign designers and bench-marking top-end foreign residences
  - To achieve top-8 housing brand ranking in 2 years

# II. Investment Points

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## Point 5. Expanding with new technology

- Environmental business growing, backed by water treatment technology
  - Nitrogen & Phosphorus Removal (NPR) and Kolon Immersed Membrane Activated Sludge (KIMAS) processes developed in-house
  - Many domestic wastewater treatment plant have selected our processes because of their technological excellence
- Advancing into eco-friendly construction
  - Research Institute awarded certification for 'Best Eco-friendly Building' for business use in 2005
  - Application of eco-friendly construction technologies to expand
- Developing specialized tunnel & underground technology
  - Jungnyeong Tunnel, Korea's longest, built in 2001

## Point 6. Management innovation

- Project Management System (PMS) developed in 2002 has improved cost-management
  - Construction project data can be accessed in the field in real time
- Oracle ERP system introduced in 2004
  - Enables standardized business process system
- Toyota Productivity System (TPS) benchmarked from 2005
  - Study of and training in TPS brings innovation to construction

# Appendix

**Income Statement**

**Balance Sheet**

**Civil Engineering & SOC projects**

**Housing & Architecture projects**

**Environmental & Plant projects**



# Income Statement

(unit: W0.1bn)	2002	2003	2004	2005	2006(P)
Operating Revenue	8,653	8,743	8,649	10,606	11,800
Cost of goods sold	7,339	7,433	7,574	8,623	9,775
(COGS-to-sales ratio)	(84.8%)	(85.0%)	(87.6%)	(81.3%)	(82.8%)
<b>Gross profit</b>	<b>1,314</b>	<b>1,310</b>	<b>1,075</b>	<b>1,983</b>	<b>2,025</b>
SG&A expenses	815	725	738	824	836
<b>Operating profit</b>	<b>499</b>	<b>586</b>	<b>337</b>	<b>1,159</b>	<b>1,189</b>
Non-operating profit	200	157	230	160	54
Non-operating expenses	501	561	1,195	311	143
(Interest expenses)	(205)	(120)	(154)	(133)	(124)
<b>Recurring profit</b>	<b>198</b>	<b>182</b>	<b>△628</b>	<b>1,008</b>	<b>1,100</b>
<b>Net profit</b>	<b>124</b>	<b>113</b>	<b>△476</b>	<b>723</b>	<b>792</b>

# Balance Sheet

	2002	2003	2004	2005	2006(P)
Current assets	4,271	4,125	3,919	4,805	6,285
Quick assets	2,283	2,793	3,530	4,472	5,763
Inventories assets	1,988	1,332	389	333	522
Fixed assets	2,843	2,555	2,725	2,457	2,984
Investment assets	2,518	2,247	2,384	2,184	2,701
tangible assets	346	330	363	262	273
Intangible assets	△21	△22	△21	11	10
<b>Total assets</b>	<b>7,114</b>	<b>6,680</b>	<b>6,644</b>	<b>7,262</b>	<b>9,269</b>
Current liabilities	3,283	3,056	3,189	3,769	4,259
Long-term liabilities	1,359	1,167	1,785	1,065	1,785
(Total borrowings)	(1,229)	(1,466)	(2,009)	(1,408)	(2,239)
<b>Total liabilities</b>	<b>4,642</b>	<b>4,222</b>	<b>4,974</b>	<b>4,834</b>	<b>6,044</b>
Capital stock	1,777	1,562	1,205	1,209	1,210
Capital surplus, etc	695	896	465	1,219	2,015
<b>Total Equity</b>	<b>2,472</b>	<b>2,458</b>	<b>1,670</b>	<b>2,428</b>	<b>3,225</b>

# Civil & SOC projects

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- For 40 years, Kolon E&C has been involved in a variety of construction projects, including expressways, subways, high-speed railways, bridges, and other national infrastructure and SOC projects. In particular, the Jungnyeng Tunnel, Korea's longest tunnel and built by Kolon E&C in 2001, is a symbol of our expertise.



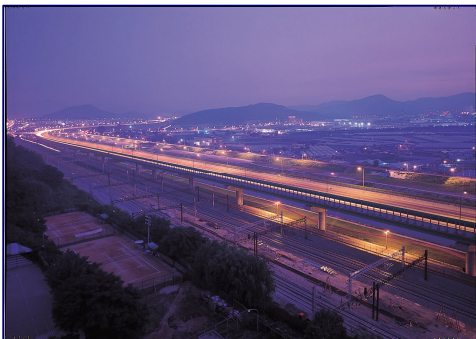
**The 4th Beltway in Daegu**



**Incheon International Airport Expressway**



**Jungang Expressway**



**Seoul – Ansan Expressway**



**Jungyeng Tunnel**



**Seoul Subway Line 1**

# Housing & Architecture projects

- Kolon E&C has built 40,000 residences. Kolon Tripolis in Bundang, the first of Korea's high-class residential-commercial complexes, has received rave reviews for mixing elegance and convenience in a living environment. "Hanulche", Kolon E&C's apartment brand, infuses environmental concepts to create unique settings in each apartment. We have also built medical facilities, educational institutes, sports facilities, and intelligent buildings.



**Kolon Tripolis in Bundang**



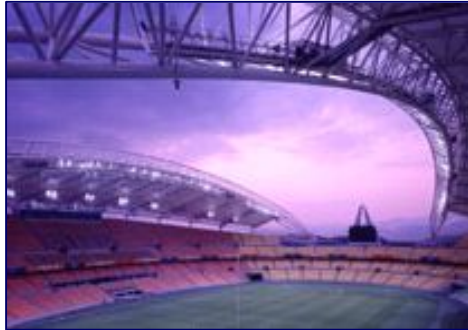
**Kolon Lakepolois III in Ilsan**



**Hwamyong Kolon Hanulche  
in Pusan**



**Olympic Swimming Pool**



**Daegu World Cup Stadium**



**Kolon Hanulche in Bundang**

# Environmental & Plant projects

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- The merger with Kolon Engineering in 2000 heightened Kolon E&C's overall synergy, especially in the environmental field. Major environmental projects undertaken since then include the Daejeon and Masan municipal wastewater treatment plants, the Yongin incinerator, and the Paju municipal solid waste sanitary treatment plant. In industrial plants, Kolon E&C has proven expertise in building power, chemical, and petrochemical plants.



**Masan Municipal Wastewater Treatment Plant**



**Yongin Incinerator**



**Paju MSW Sanitary Treatment Plant**



**Distillation Facilities**



**The Hydrogen Peroxide Production Facilities at Hansol**



**Bangladesh Rural Gas Power Plant**

**Thank you**

