

2008 Business Plan

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APPENDIX

2008.03.24

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1. Company Introduction

-1. CEO Message

Kolon Engineering & Construction has been leading the construction industry in Korea, as it has been numerous projects in the fields of construction, civil engineering, housing, environment, and plant in Korea and overseas. We have been executing many large-scale social overhead capital projects and housing development, which are highly technology intensive, in the most accurate and precise fashion. These include the 88 Olympics Swimming Pool, which is dubbed “fantastic harmony of formative beauty and cutting-edge technology”; the controlled blasting demolition of Namsan Foreigners’ Apartment ; Jukryeong Tunnel, the longest tunnel in Korea; Bundang Tripolis, which is the first hotel-type apartment in Korea; and Incheon International Airport Highway.

In addition, the Company has won the Quality Living Apartment Award twice, and was designated as an Outstanding Builder by the Korea National Housing Corp., and the Korea Highway Corp. A number of Kolon’s project sites have won presidential awards, while many of its apartment complexes have made the list which the apartment complexes with the highest customer Satisfaction as selected by residents. Now Kolon E&C aims to continue its steady growth, and become a company that is most respected by customers, shareholders, staff members, and business partners, under the motto ‘One Step First’ banking on the extensive know-how and experience that it has accumulated over the past four decades as well as the unlimited creativity, and challenging spirit. Going forward, Kolon E&C is committed to push for aggressive innovation in management ceaseless development of new products and technology, and continuous improvement of quality centered on customers and thus provide our customers with distinguished brand.



CEO, Jong-keun Kim

1. Company Introduction

-2. Vision



We build a life of prosperity and value together with our customers.

“One Step First” is our slogan to attain our mid and long-term strategy and goals, and represents our commitment to be one step ahead of others, and closer to our customers through the direct and outspoken expression “One Step First.”

1. Company Introduction

-3. Brief Profile

History

- 1960 Company formed.
- 1978 Listed.
- 2000 Merged Kolon Engineering.
- 2007 Acquired EFMC.

Position in the Industry

- Ranked 16th in the annual construction capability rank in 2007
- Ranked 17th in terms of sales size in 2007.

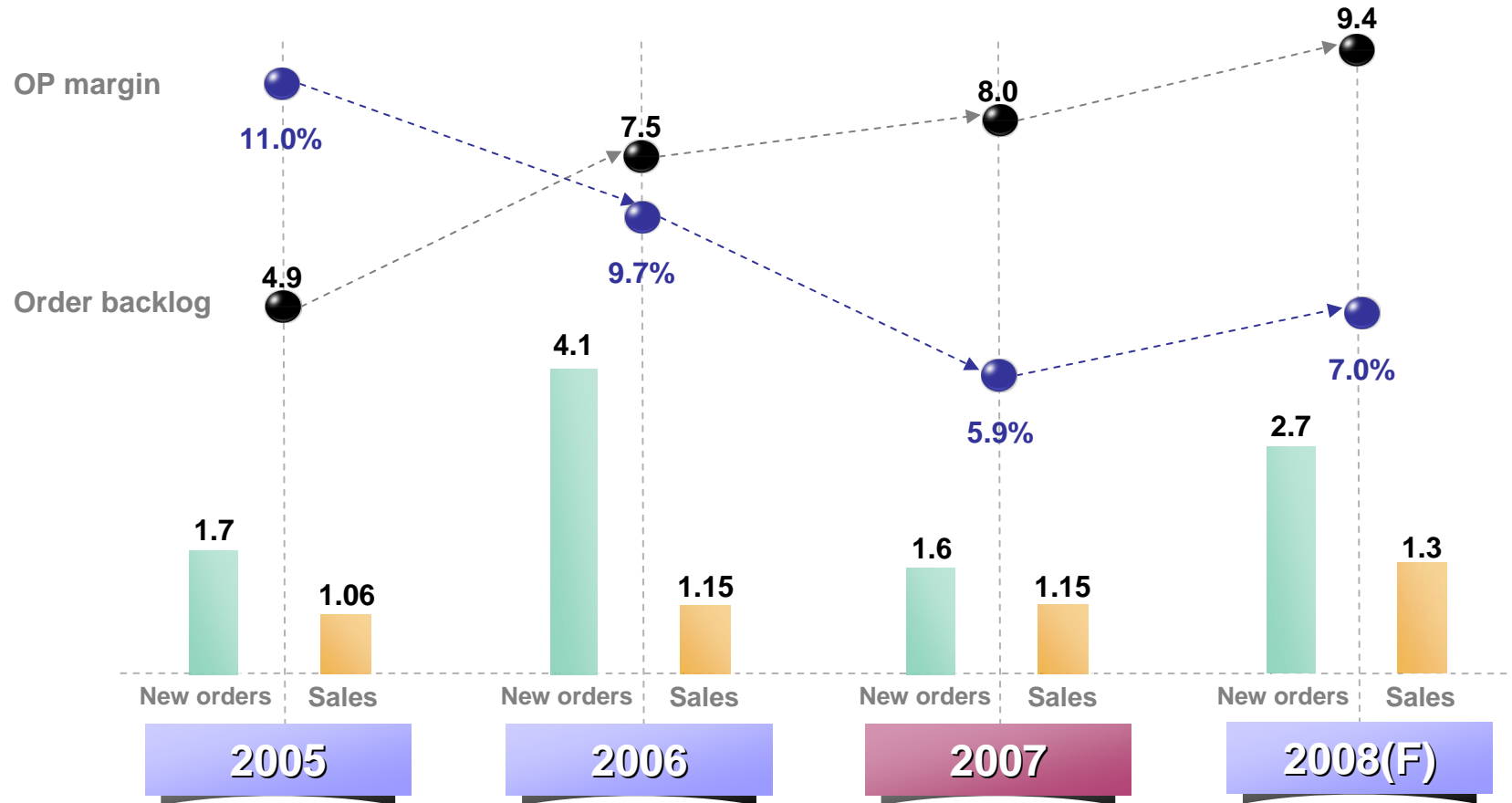
General Data

- Capital Stock : W121bn
- Total Assets : W1.2tr
- Employees : 970
- Sites : 121 project sites, 10 local branches, 5 subsidiaries

2. Trend of Business Performance

Sluggish performance in 2007 resulted from the deterioration of pre-sale market. But we expect to continue stable growth from 2008.

(unit:KRW tr.)



3. Market Environment & Strategy

To accommodate current market situation, we are taking over new growth driver, environmental business & overseas business and expanding scope of existing business.

[Market environment]

Threat

- Domestic market is expected to show stagnant growth.
- Decline of housing market due to series of regulation.

Opportunity

- Increasing number of PF projects and development projects by central/local government
- Rising expectation on real estate policy deregulation by new government
- Expanding market size of environmental business and alternative energy by the change of government policy and International Agreement

Expanding Business Scope

[Strategy]

Taking over New Growth Driver

- ① Strengthen environmental biz.
- ② Expand overseas business

Expanding scope of existing biz.

- ① Strengthen proposed development projects
- ② Launch new business

4. Business Strategy

-1. Strengthening environmental business

We will take over competitive advantages in environmental business through accumulated technologies and references.

Strength

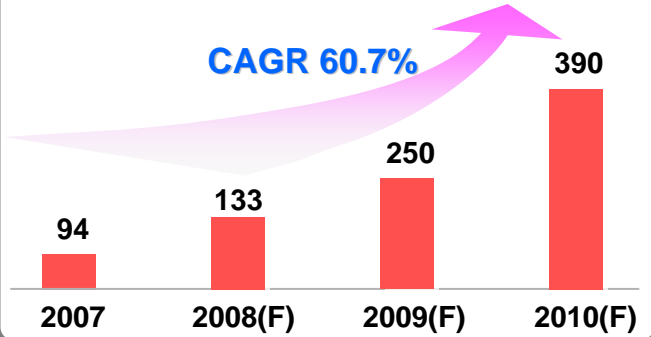
- Merged Kolon Engineering which was the best company in environmental plant area.
- Excellent technology related with water treatment and solid waste treatment.
- Acquired EFMC, Korea's NO. 1 company in operating water treatment plant.
- Ability to provide total solution about water treatment business through cooperation with affiliated companies



strategy

- Take over competitive advantages by providing total solution.
 - Propel businesses taking advantage of synergy with EFMC.
 - Promote environmental development projects subject to local Authority
 - strengthen new businesses of solid waste treatment.

Trend of sales revenue



(unit:KRW bn.)



4. Business Strategy

-2. Expanding overseas business

We will expand overseas business with strength & references in water treatment and bio-ethanol.

Strength & Reference

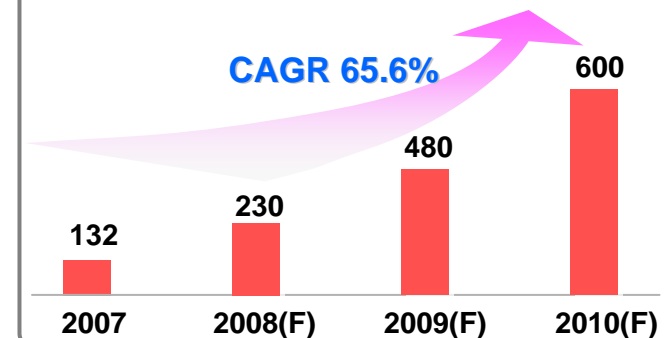
- The most references of overseas water treatment plant among Korean peers.
- Retains bio-ethanol plant references unlike other big players
- New overseas projects contracted in 2007
 - Hanoi city development project
 - Cambodia bio-ethanol project



Strategy

- Expand water treatment businesses in Southeast Asia and other countries
- Take over new orders of bio-ethanol projects in target countries
 - Australia, Thai, Indonesia, etc
- Launch development projects in oil-producing country & developing country

Trend of new orders



(unit:KRW bn.)

4. Business Strategy

-3. Expanding scope of existing biz.

Business portfolio's expected to be balanced by strengthening major businesses and new businesses.

Status of business

Civil

- Have done numerous public works
- One of the leader in PFI projects
- Experienced "Kyung-in Canal"

Architecture

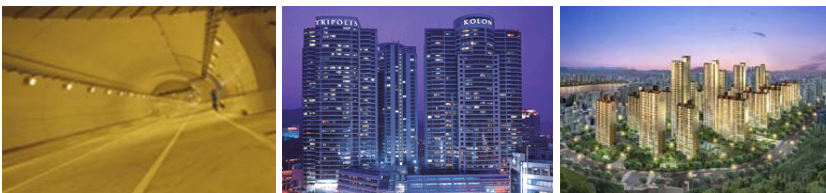
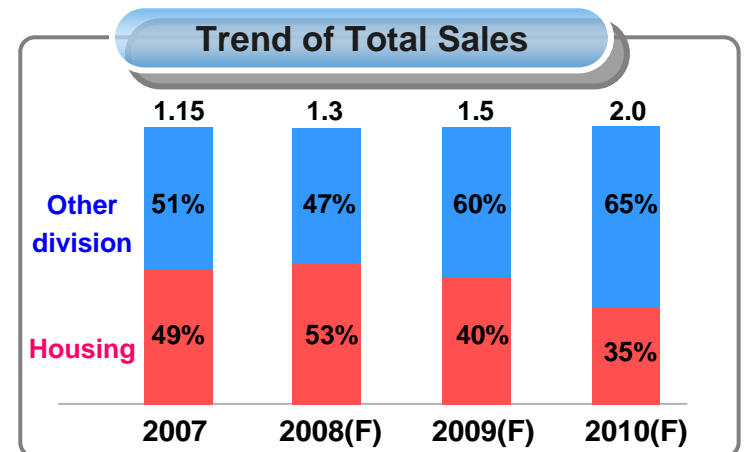
- Numerous references of commercial/residential/official buildings
- Expanding project financing projects

Housing

- Constructed the first hotel-type apartment and some highclass villa
- Retains competitive power in reconstruction/redevelopment projects
- Providing best quality and service

Strategy

- **Civil engineering**
→ Focus on PFI projects and proposed development projects.
- **Architecture**
→ Strengthen PF development projects.
- **Housing**
→ Clear up unsold homes and propel businesses in Metropolitan area.



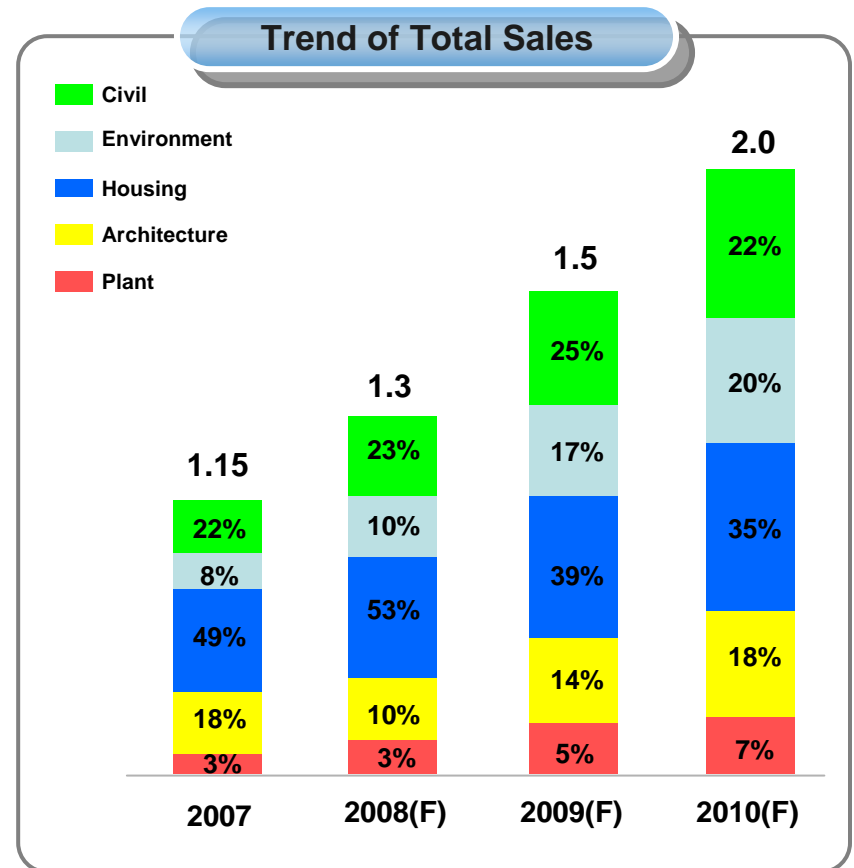
※ PFI - Private Finance Initiative
Kyungin Canal - Canal connected from Seoul to Incheon

(unit:KRW tr.)

5. Investment Point

-1. Balanced Business Portfolio

We have competitive major business and various existing/newly launching businesses by each division.

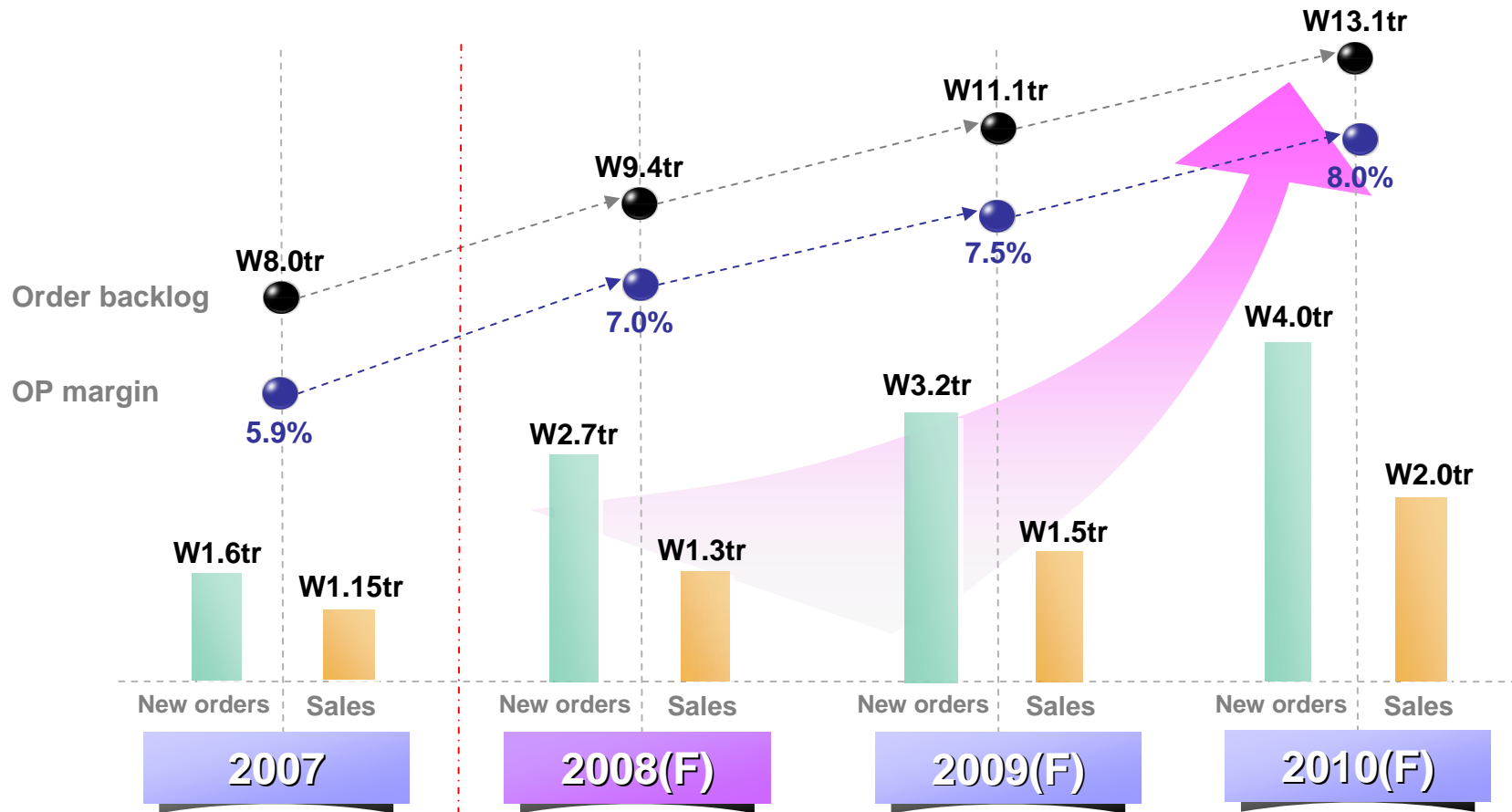


(unit:KRW tr.)

5. Investment Point

-2. Stable Growth

We will make stable growth through balanced business portfolio and ceaseless management renovation.



Appendix

1. New orders & Sales(2007 ~ 2010)
2. Gross Profit Margin by division(2007~2008)
3. Balance Sheet
4. Income Statement

Appendix

1. New orders & Sales(2007 ~ 2010)

● New orders

(Unit: KRW bn)

	2007		2008(F)		2009(F)		2010(F)	
	Amount	Comp.ratio	Amount	Comp.ratio	Amount	Comp.ratio	Amount	Comp.ratio
Civil	572.9	35%	560.0	21%	630.0	20%	800.0	20%
Environment	195.8	13%	350.0	13%	470.0	15%	650.0	16%
Housing	297.2	20%	680.0	25%	850.0	27%	1,000.0	25%
Architecture	524.2	35%	970.0	36%	1,000.0	31%	1,200.0	30%
Plant	35.8	2%	150.0	6%	250.0	8%	350.0	9%
(Overseas)	(132.1)	(8%)	(230.0)	(9%)	(480.0)	(15%)	(600.0)	(15%)
Total	1,580.9	100%	2,700.0	100%	3,200.0	100%	4,000.0	(100%)

● Sales

(Unit: KRW bn)

	2007		2008(F)		2009(F)		2010(F)	
	Amount	Comp.ratio	Amount	Comp.ratio	Amount	Comp.ratio	Amount	Comp.ratio
Civil	251.3	22%	298.7	23%	370.0	25%	430.0	22%
Environment	93.7	8%	133.1	10%	250.0	17%	390.0	20%
Housing	564.3	49%	694.6	53%	590.0	39%	700.0	35%
Architecture	209.9	18%	133.9	10%	210.0	14%	350.0	18%
Plant	29.8	3%	39.7	3%	80.0	5%	130.0	7%
(Overseas)	(18.7)	(2%)	(29.5)	(2%)	(75.0)	(5%)	(180.0)	(9%)
Total	251.3	100%	1,300.0	100%	1,500.0	100%	2,000.0	100%

Appendix

2. Gross Profit Margin by division(2007~2008)

(Unit : %)

	2007	2008(F)	g/l
Civil	14.7	14.7	-
Environment	13.1	12.5	▲0.6
Housing	15.5	16.0	+0.5
Architecture	11.4	13.9	+2.5
Plant	17.1	11.8	▲5.3
(Overseas)	(19.0)	(14.0)	(▲5.0)
Total	14.4	15.0	+0.6

Appendix

3. Balance Sheet

(Unit : KRW bn)	2002	2003	2004	2005	2006	2007
Current assets	427.1	412.5	391.9	487.4	656.9	768.8
Quick assets (A/R)	228.3	279.3	353.0	454.0	601.1	704.0
Inventories assets	198.8	133.2	38.9	33.3	55.8	64.8
Fixed assets	284.3	255.5	272.5	238.2	287.7	424.3
Investment assets	251.8	224.7	238.4	210.9	207.4	343.2
tangible assets	34.6	33.0	36.3	26.2	25.8	24.5
Intangible assets	△2.1	△2.2	△2.1	1.1	△0.6	△0.5
Total assets	711.4	668.0	664.4	725.6	944.5	1,193.2
Current liabilities	328.3	305.6	318.9	375.3	417.9	540.5
Long-term liabilities	135.9	116.7	178.5	106.6	225.4	342.3
(Total borrowings)	(122.9)	(146.6)	(200.9)	(140.8)	(277.9)	(435.4)
Total liabilities	464.2	422.2	497.4	481.9	643.3	882.8
Capital stock	177.7	156.2	120.5	120.9	121.0	121.0
Capital surplus, etc	69.5	89.6	46.5	122.8	180.2	189.4
Total Equity	247.2	245.8	167.0	243.7	301.2	310.4

Appendix

4. Income Statement

(Unit : KRW bn)	2002	2003	2004	2005	2006	2007
Sales	865.3	874.3	864.9	1,059.0	1,155.2	1,149.1
Cost of goods sold	733.9	743.3	757.4	860.6	949.1	983.2
(COGS-to-sales ratio)	(84.8%)	(85.0%)	(87.6%)	(81.3%)	(82.8%)	(85.6%)
Gross profit	131.4	131.0	107.5	198.4	206.1	165.9
SG&A expenses	81.5	72.5	73.8	82.4	94.4	97.9
Operating profit	49.9	58.5	33.7	116.0	111.7	67.9
Non-operating profit	20.0	15.7	23.0	16.1	16.3	19.4
Non-operating expenses	50.1	56.1	119.5	30.8	30.6	61.5
(Interest expenses)	(20.5)	(12.0)	(15.4)	(12.8)	(16.7)	(29.5)
Recurring profit	19.8	18.1	△62.8	101.3	97.4	25.8
Net profit	12.4	11.3	△47.6	72.7	69.8	15.0