

INVESTOR RELATIONS

# GS E&C Presentation

June 2012

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This material contains forward-looking statements that include our current beliefs and expectations on market factors and information obtained outside GS E&C, which are subject to uncertainties. Due to the volatility of these factors, actual results may differ from those set forth in the presented statements. Information found here should not be solely relied upon for making any investment decision, this material is provided as a reference purpose only for the investors. GS E&C shall not be responsible for any trading or investment decisions made based on this information.

# Business Overview - Company Overall



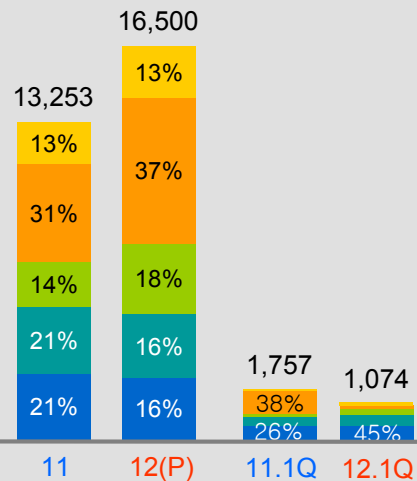
**New orders and sales revenues will go up YoY.**

(K-IFRS Consolidated)

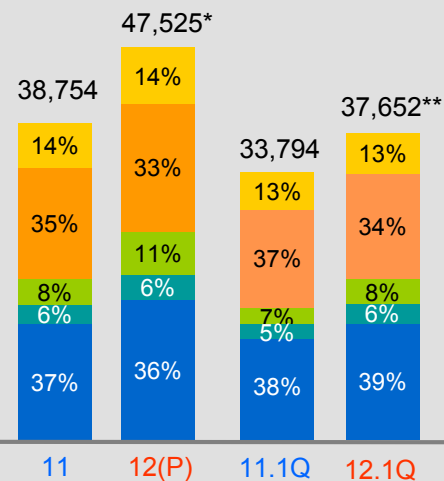
## New Orders

(unit: KRW billion, %)

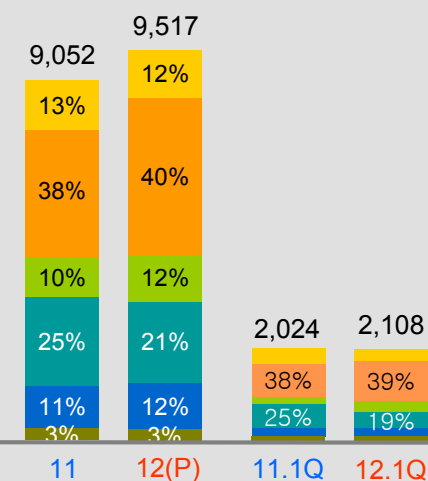
- Civil Engineering
- Plant
- Power & Environment
- Architecture
- Housing
- Parnas Hotel etc.



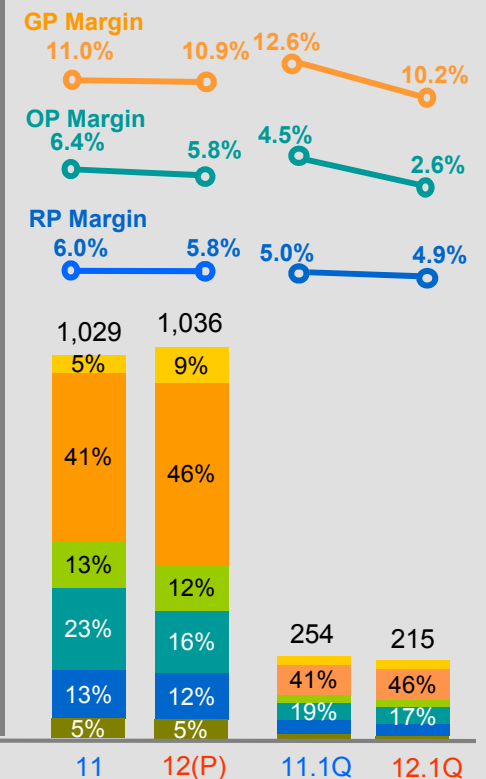
## Order Backlogs



## Sales Revenues



## Gross Profit



\*Not included provisional Order Backlogs in Housing 7.4 KRW trillion

\*\*Not included provisional Order Backlogs in Housing 7.8 KRW trillion

# Investment Highlight – Global Player

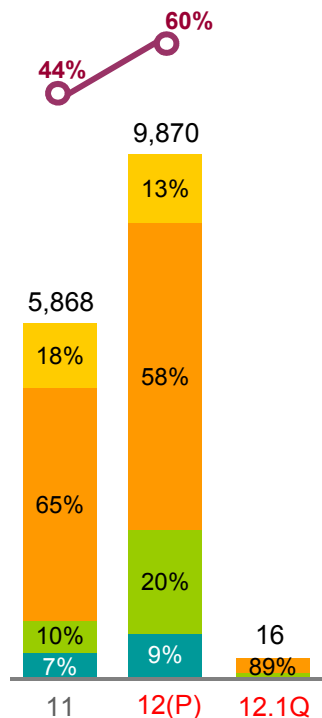


Overseas contributions on overall new orders and sales revenues are expected to be 60%, 47% respectively.

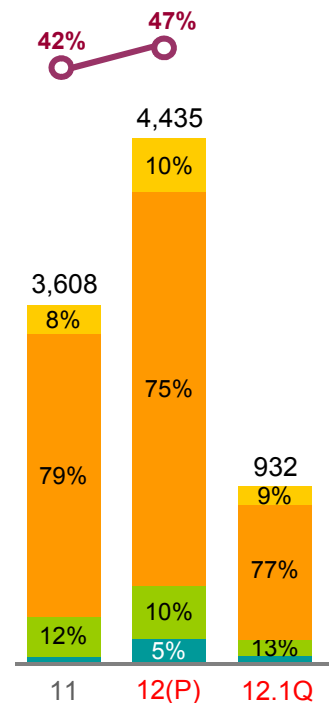
## Overseas

- Contribution to New Orders/ Revenues (KRW billion, %)
- Civil Engineering
- Plant
- Power & Environment
- Architecture

### New Orders



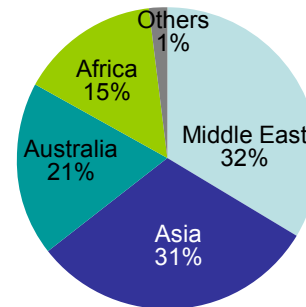
### Revenues



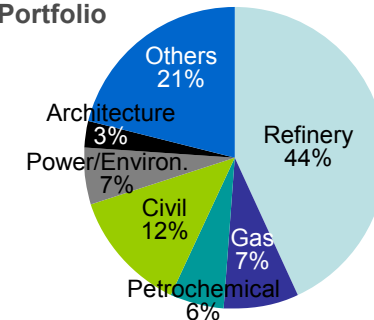
## Overseas Order Backlogs (KRW 15,707 billion)

(as of 2012.1Q)

### By Region



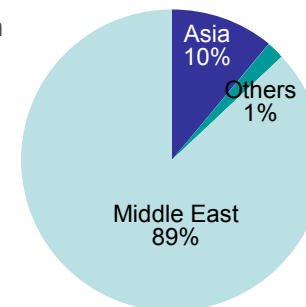
### By Portfolio



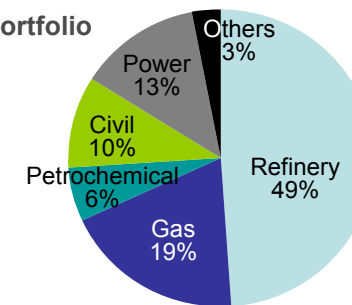
## Overseas Revenues (KRW 932 billion)

(as of 2012.1Q)

### By Region



### By Portfolio



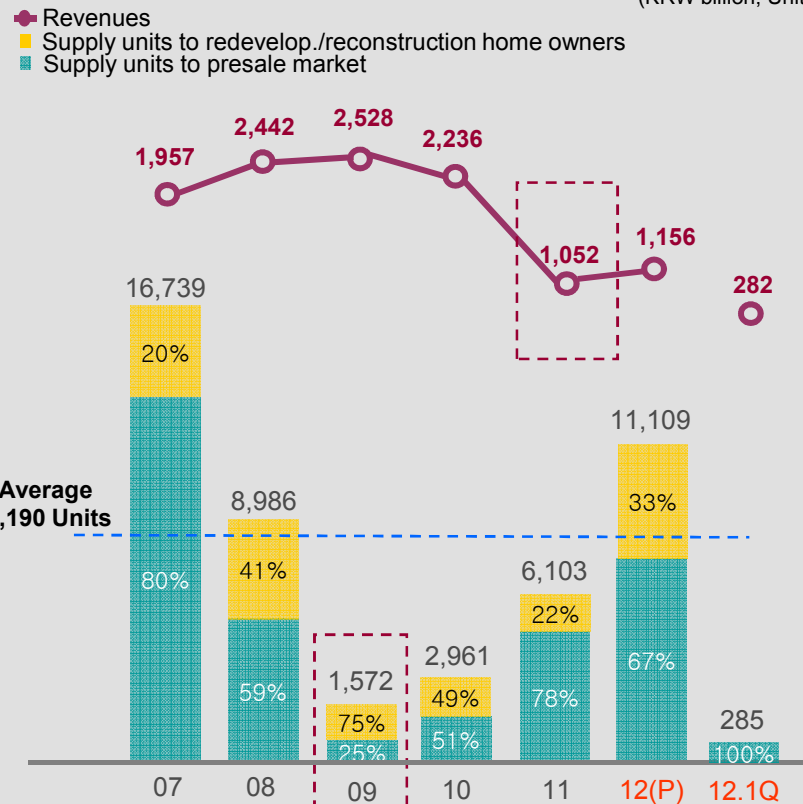
# Investment Highlight – More Supplies & Lower Risk



Housing supply will surpass the average level, and PF guarantee will be reduced in 2012.

## Housing Division

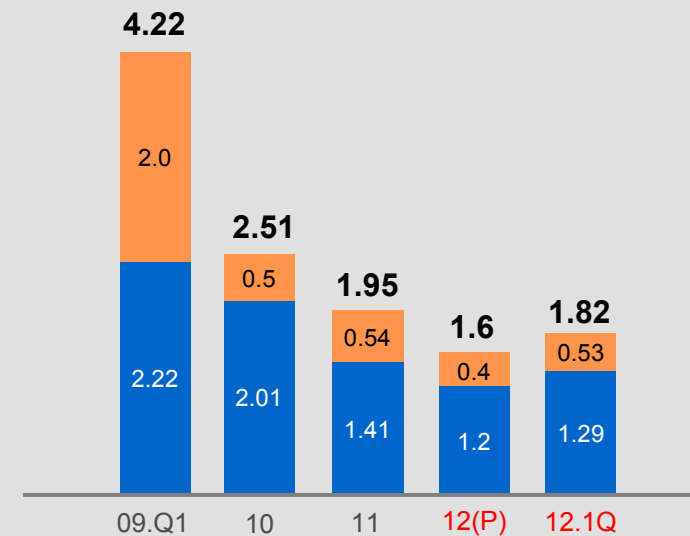
(KRW billion, Unit)



## PF Guarantee

(KRW trillion, %)

■ On-going PF  
 ■ Not-started PF





# Overview by Division – Plant

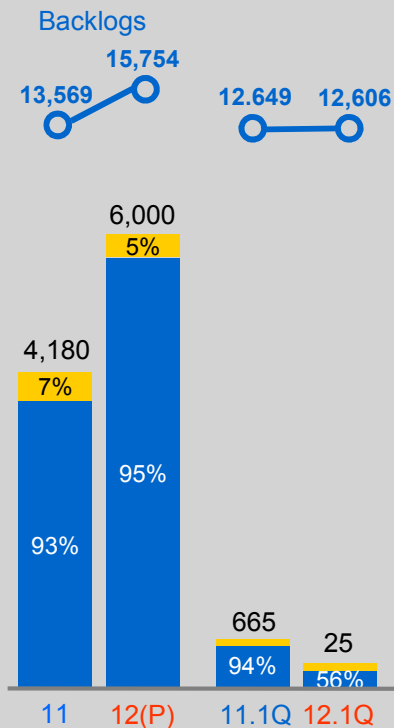


**New orders and sales revenues will highly increase from overseas hydro-carbon plant projects.**

(unit: KRW billion, %)

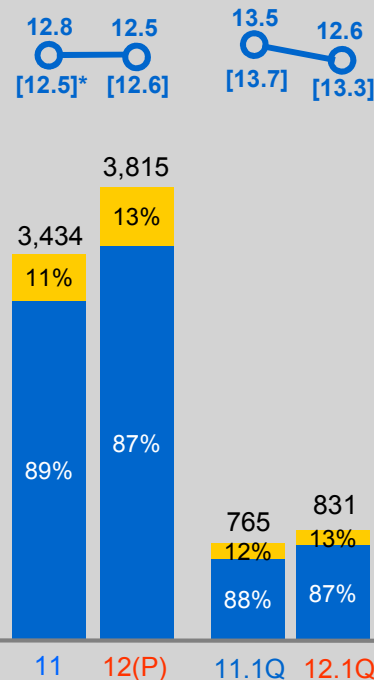
## New Orders & Backlogs

Domestic  
Overseas



## Revenues & GP Margin

Gross Margin



\*[ ] :Overseas Gross Margin

## 2012 Keyword

### Market

- Oil-price expectation  
2012 : USD100 ~ 115 (Brent)  
~2015 : USD 110 in average (Brent)
- Oil refinery market  
~2015 : CAGR 4% (Mainly from MENA and Asia)
- Petrochemical market  
~2015 : CAGR 7% ~ 8%

### GS E&C Strategy

- Focus on refinery projects in the Middle East.
- Expand new market  
(Central/South America, CIS, Africa, etc.)
- Develop new business areas (Offshore plant, LNG, Unconventional Oil and Metal plant)

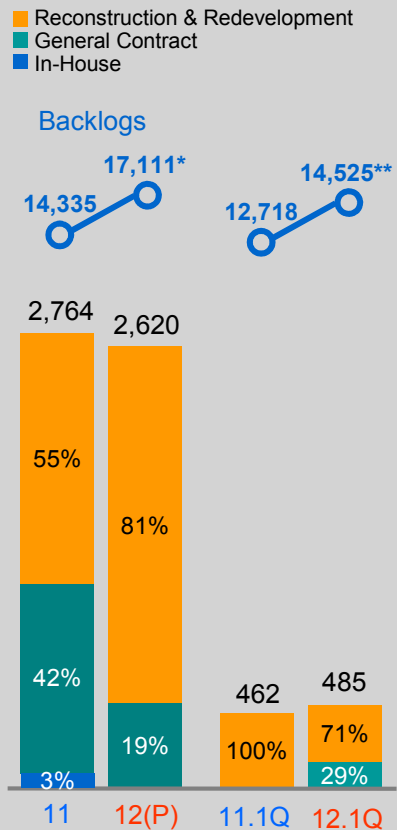
# Overview by Division – Housing



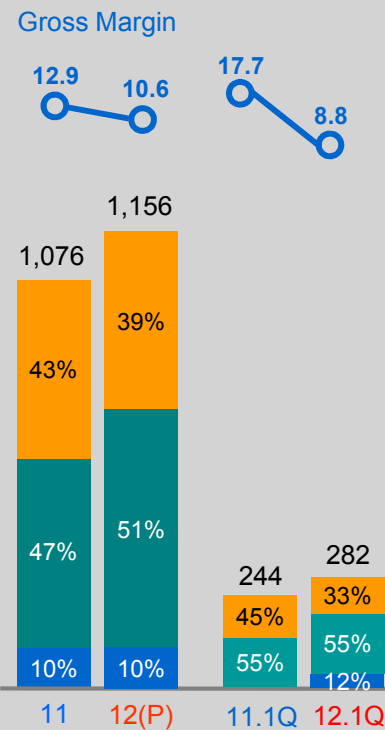
Sales revenues turn around and housing supply units continue to increase steadily.

(unit: KRW billion, %)

## New Orders & Backlogs



## Revenues & GP Margin



## 2012 Keyword

### Market

- Shortage of housing supply for the last few years
- Increasing burden of tenants
  - a. Jeon-se price rises sharply
  - b. Starting to see a shift from Jeon-se to monthly based rent
- Stabilized housing price
- Continue to deregulate
  - a. Expected: Removing Price cap and DTI

### GS E&C Strategy

- Back to the average level of new supply
  - a. over 12,000
  - b. Mainly small/medium-sized housing
- Maintain sound portfolio
  - a. Focus on redevelopment & reconstruction and Seoul & Metropolitan area
  - b. Resume PF projects selectively
- Stabilized PF loan guarantee risk
 

: 1.951tn [2011] → 1.59tn [2012(P)]

\*Not included provisional Order Backlogs in Housing 7.4 KRW trillion

\*\*Not included provisional Order Backlogs in Housing 7.8 KRW trillion

# Overview by Division – Civil

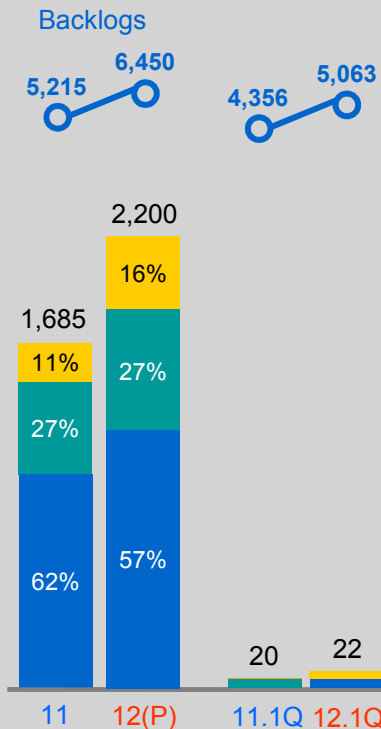


**New orders will rise due to increase of overseas projects and gross margin will improve.**

(unit: KRW billion, %)

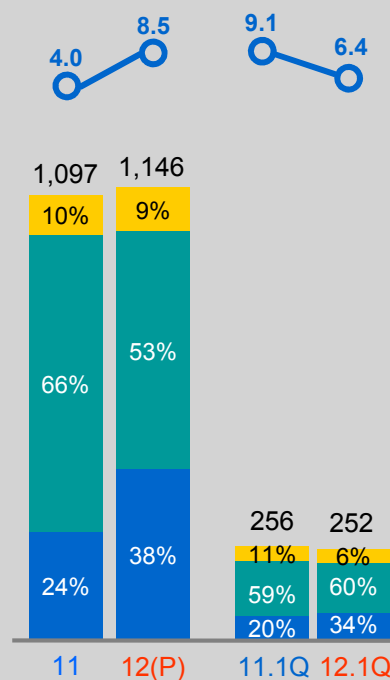
## New Orders & Backlogs

■ PFI(Privately Funded Infrastructure)  
■ General Contract  
■ Overseas



## Revenues & GP Margin

**Gross Margin**



## 2012 Keyword

### Market

- Decrease in budget for SOC project (2011: 24.4tn → 2012: 23.1tn)
- Continue "Green Business"  
: High speed railway and Light railway
- Increase budget for public infrastructure in order to boost economy in the MENA  
a. ~2015: CAGR 4%  
b. Railway, Express way, Airport etc.

### GS E&C Strategy

- Domestic**
- Focusing strategy on railway and municipal projects for Turn Key project
  - Develop green business such as tidal power generation & LRT
- Overseas**
- Increase in new orders and revenue from overseas (Asia and Middle East)
  - Strengthen global network & Develop local subcontractors & resources (labor, equipment and material)



# Overview by Division – Architecture

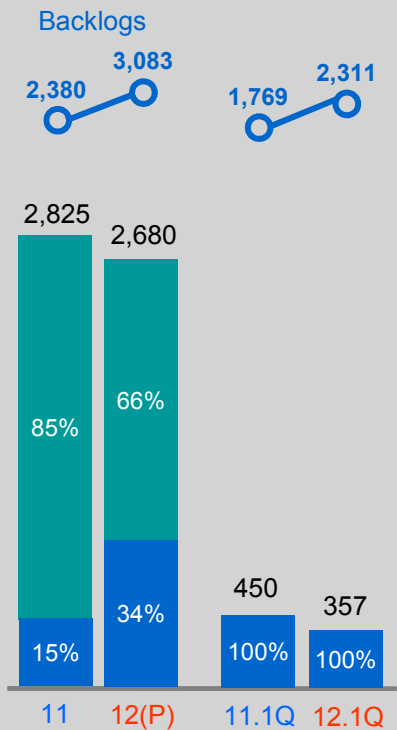


**New orders and sales revenues will decrease due to the base effects.**

(unit: KRW billion, %)

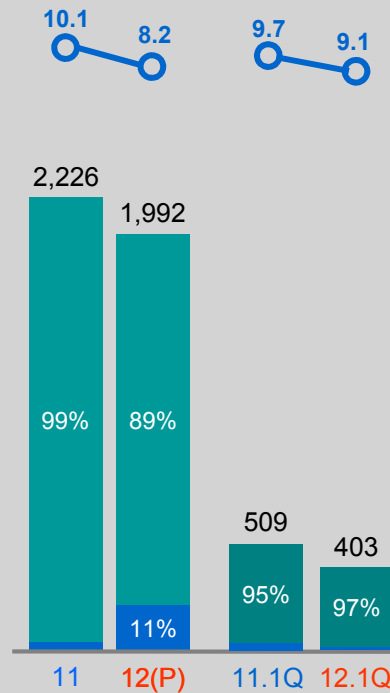
## New Orders & Backlogs

■ Domestic  
■ Overseas



## Revenues & GP Margin

**Gross Margin**



## 2012 Keyword

### Market

- Domestic**
- Increase in public market with relocation of government office buildings
  - Private market still sluggish due to the domestic demand

- Overseas**
- Increase in overseas public order (Asia and Middle East)
  - Rebuild in Ribya & Iraq
  - 2022 Qatar World Cup

### GS E&C Strategy

- Increase in new order from overseas (Middle east, Asia etc.)
- Maintain domestic market volume by focusing on domestic public sector (PPS, MOD etc.)
- Diversify business area : M&E Work (Mechanical and Electrical work)
- Constant group work

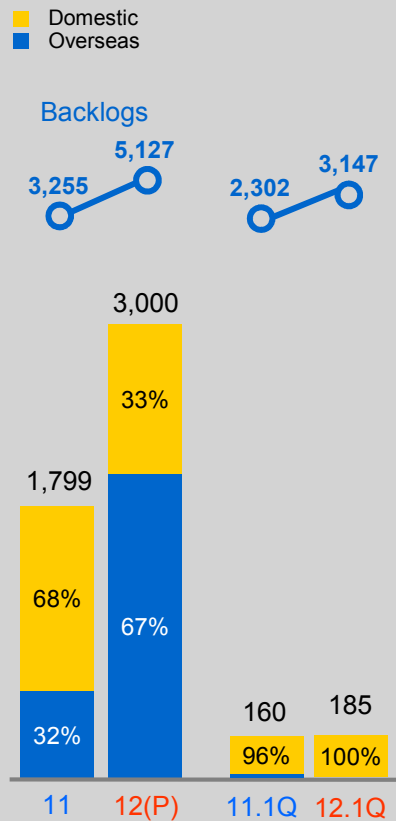
# Overview by Division – Power Plant/Environment



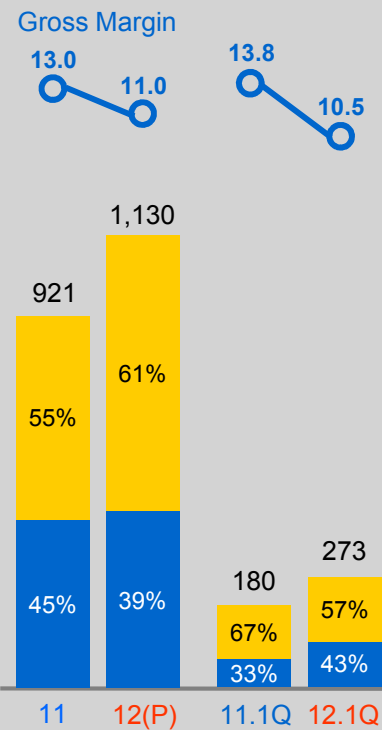
**New orders will surge from overseas.**

(unit: KRW billion, %)

## New Orders & Backlogs



## Revenues & GP Margin



## 2012 Keyword

### Market

- Power**
- Continuously increase power plant market to meet the electricity need (Middle East and Asia)
- Environment**
- Increase in water related business (Middle East and Asia)
  - a. Global market size: USD 870 bn in 2025
  - b. ~2025: CAGR 5%

### GS E&C Strategy

- Participate in independent power plant
- Tighten the relationship with developers and manufacturers of main equipments
- Co-operation with Inima in desalination projects
- Continue to participate in various green business - energy generation, waste disposal, waste water treatment, incineration, and desalination



Great Challenge  
최고



Great Innovation  
변화



Great Partnership  
신뢰

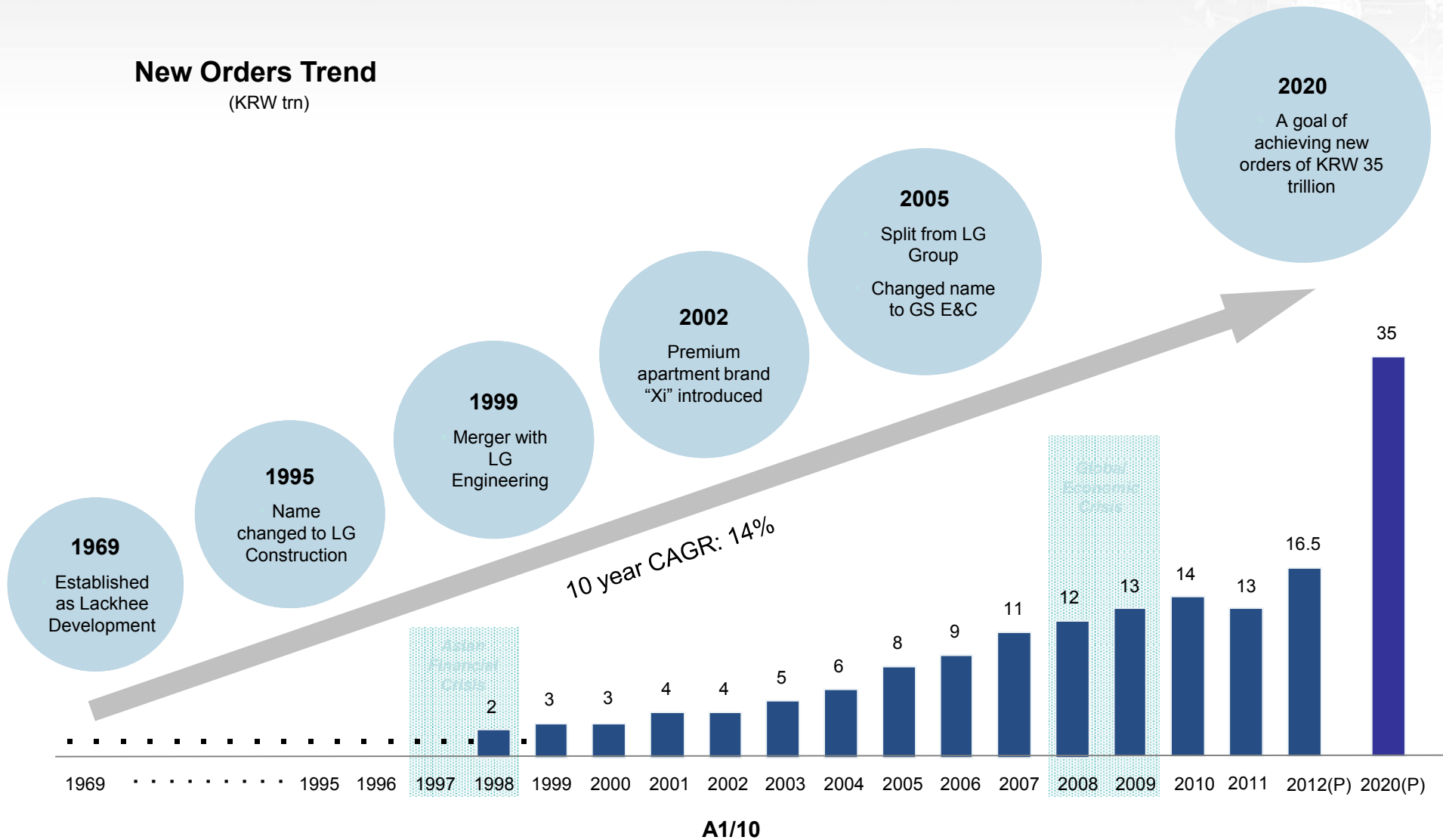
## Appendix

- 01\_Key Corporate Milestone
- 02\_Vision 2020
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- 06\_Major Overseas Projects
- 07\_Vietnam Project
- 08\_Inima
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# Appendix - Key Corporate Milestones



## New Orders Trend (KRW trn)



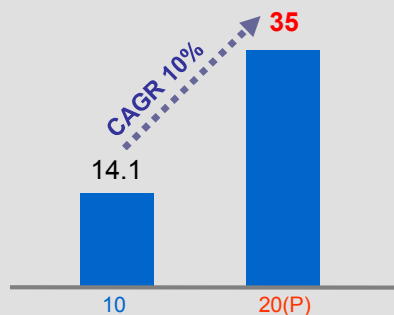
# Appendix – Vision 2020



## Vision 2020 Goal

### New orders

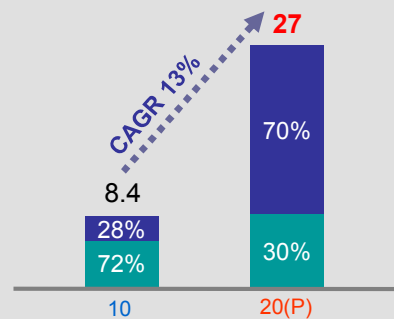
( KRW Trillion)



### Revenue

(KRW Trillion, %)

■ Overseas  
■ Domestic



## Sustainable Global Company

**Sustainable**

- Pursue sustainable growth with profitability
  - New orders KRW 35 trillion
  - Revenues KRW 27 trillion
  - Operating Profits KRW 2 trillion in 2020

**Global**

- Leap to a truly global company beyond Korea
  - More than 70% of revenue from global business
  - Setting up a global operation system
  - Expansion of in-organic growth

**3 Core Growth Pillars**

- Offshore business with synergy with onshore business
- Plant/Power& Environmental business with world-class work types
- Architecture/Housing/Civil business with upgraded development business capability

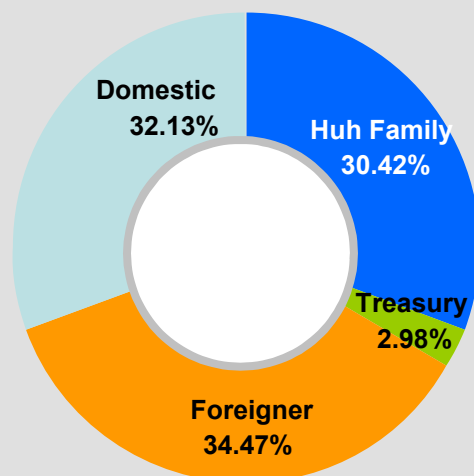


# Appendix – Ownership Structure



## GS E&C

(As of 2012.1Q)



## Huh Family

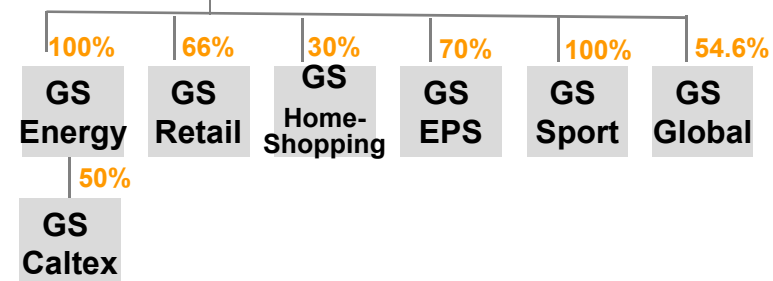
(As of 2011)

**GS Holdings**

30.4%



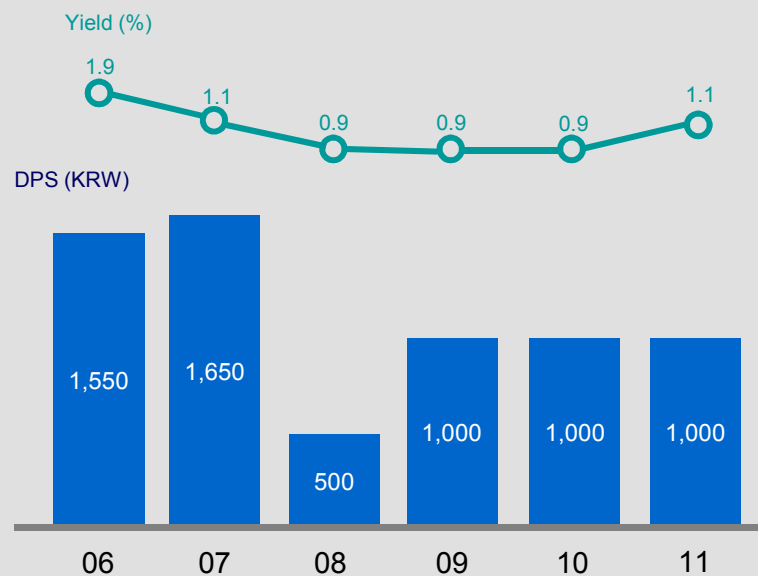
**Subsidiary**



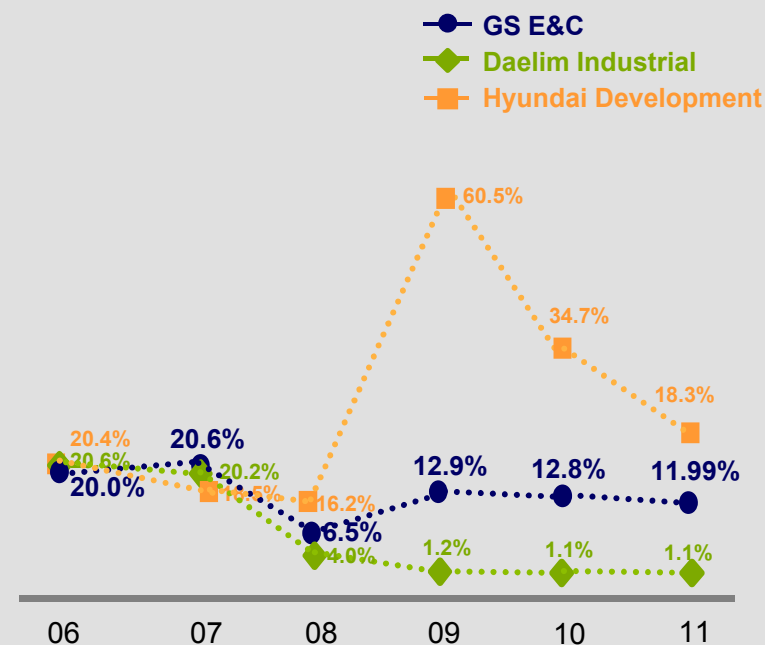
# Appendix - Dividends



Yield & DPS



Payout Ratio

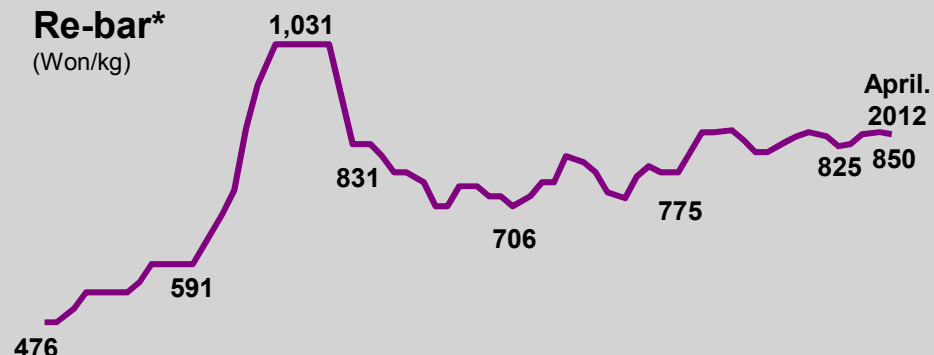


# Appendix – Major Material Prices



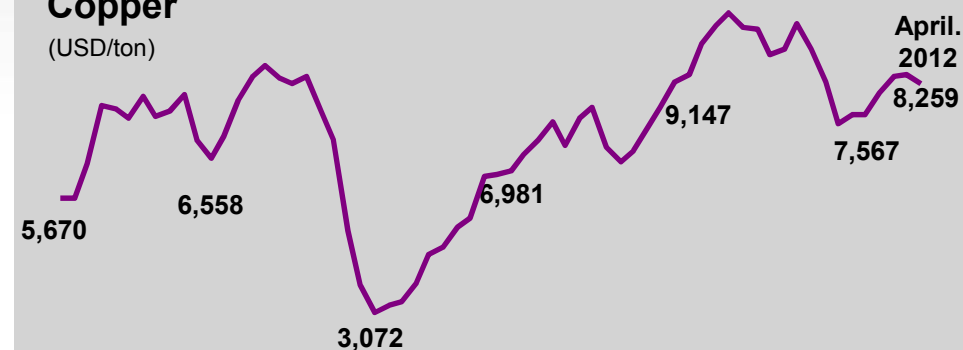
## Re-bar\*

(Won/kg)



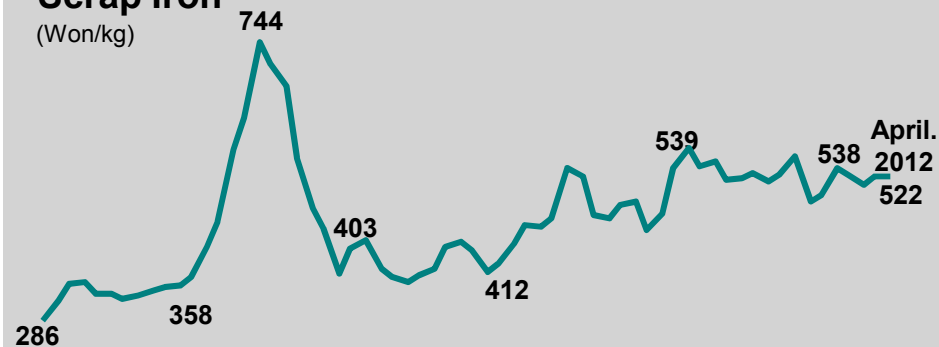
## Copper

(USD/ton)



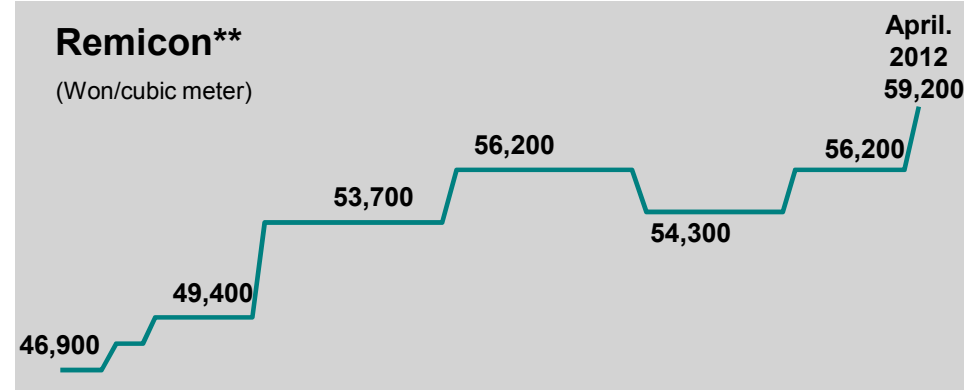
## Scrap Iron

(Won/kg)



## Remicon\*\*

(Won/cubic meter)



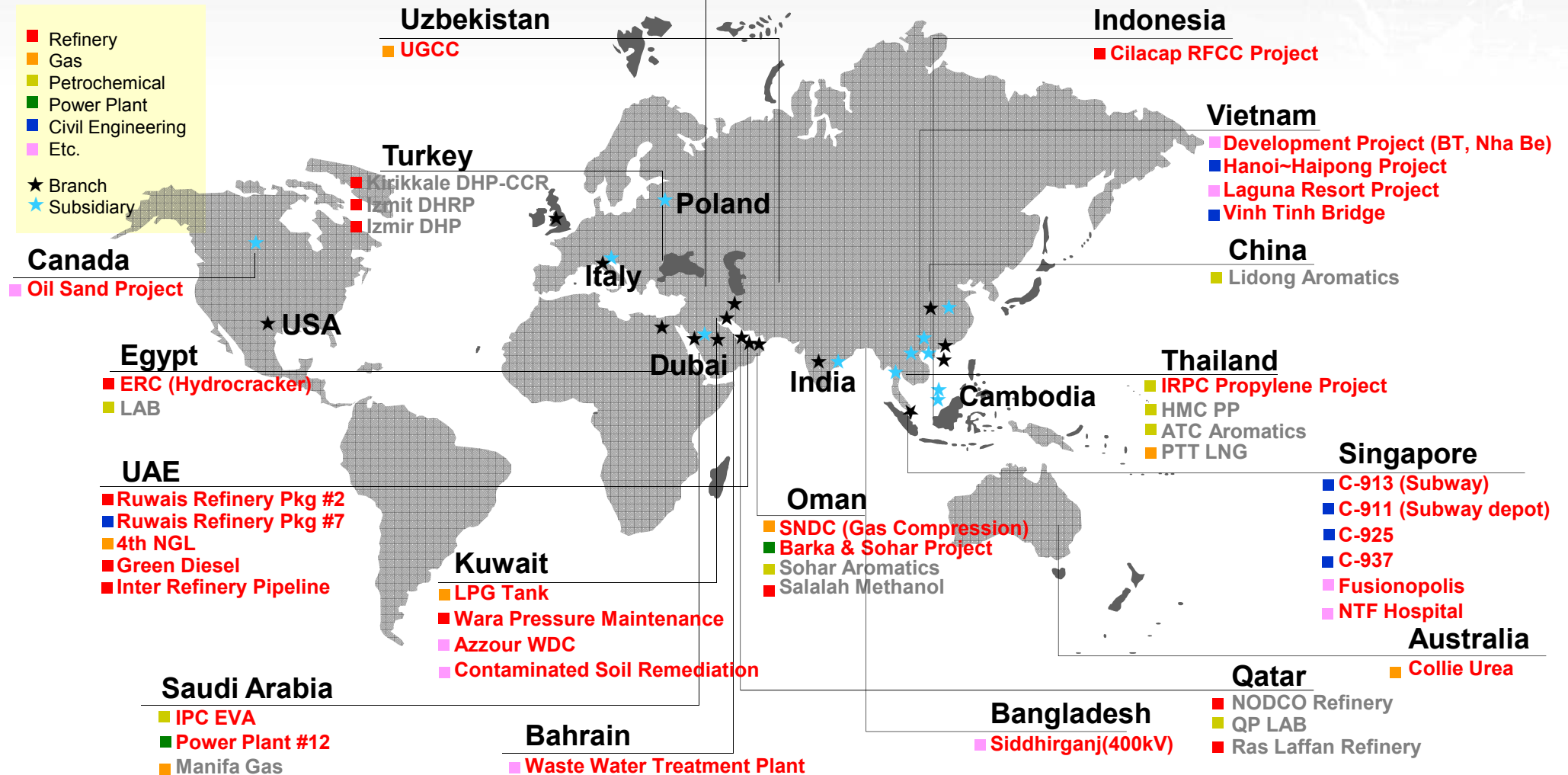
\*Re-bar: Reinforced-bar

\*\*Remicon: Ready-mixed concrete

# Appendix – Major Overseas Projects



Red : On-going / Gray: Completed



# Appendix – Vietnam Project



GS E&C slowdown the original schedule due to the current economic situation of Vietnam, but the full potential of the project is still in effect.

## Vietnam Project



### Project

### Original Plan

### Current Status

#### BT (SPC1)

- Road (14km) construction & transfer
- Develop 4 pieces of land in Downtown (1 million m<sup>2</sup>)
  - Riverview (D2)
  - Riverside (D2)
  - Thu Thiem (D2)
  - Mini New Town (D9)

- Road : Binh Loi Bridge
- Plan to develop 4 pieces of land
  - Riverview(D2) : Completed construction in Dec. 2011
  - Riverside(D2) : Xi sample house & Office (P: 2012)
  - Thu Thiem (D2) : Prepare development plan (P: 2012)
  - Mini New Town (D9) : Take over the land use right (P:2012)

#### Nha Be New Town (SPC2)

- Lease land (3.5 million m<sup>2</sup>)
- 10km from the city center
- Build 17,000 residential units, hospital, schools, parks, etc. (Four phases)

- Phase #1 - Received Land Use Right (LUR)
  - Expect LUR of #2 ~ #4
- Major development from 2011
  - Site stabilizing work & Infrastructure

- The 95% share of Cu Chi Resort Project(36 holes golf course and residence) SPC had been transferred to the local developer in line with the risk management policy of the Company.

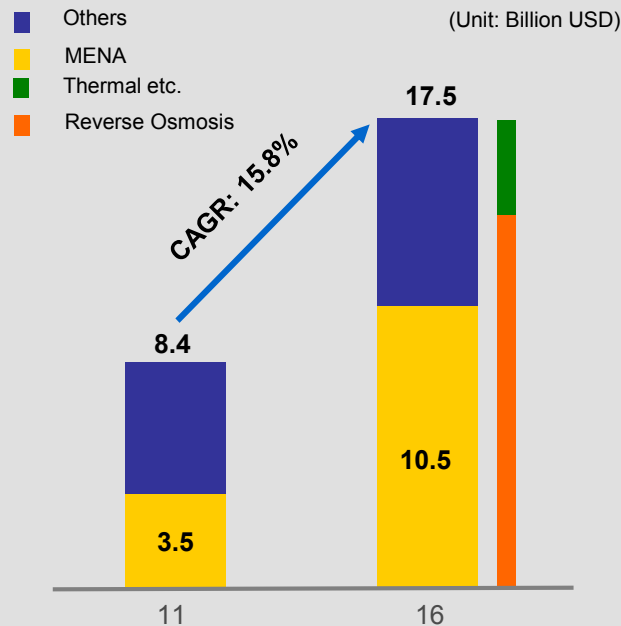


# Appendix – Inima



GS E&C can expand the market coverage by maximizing its synergy utilizing technology, track records, experiences and business networks of Inima.

## Desalination Market



❖ Opportunities in the R/O market  
 : No dominant leader, but to be positioned in a few years  
 → R/O\* market size: 17% growth every year until 2016,  
 worth USD 14 billion

## Inima

### • Business Plan in 2012

- ✓ Revenue: 210Bil. Won / New Order: 500Bil. Won
- ✓ OP Margin: 8.9%

- EPC + O&M Project Experiences up to 200,000m<sup>3</sup>/day desalination plant using RO technology
- Currently operating 12 concessions globally

## Co-operation

### • Sharing the business network

GS: Middle East and Asia

Inima: America, Africa and Europe

### • Jointly participate

in RO Desalination Projects in Middle East mainly

### • Maximizing synergy effect

GS: management skill for large scale project

Inima: engineering and concession capability in desalination project

# Appendix – Statements of Financial Position



(KRW billion,%)

Account	08	09	10*	11*	12.1Q*
<b>Total Asset</b>	<b>8,182</b>	<b>8,946</b>	<b>11,046</b>	<b>11,264</b>	<b>11,250</b>
Cash & Deposits	809	1,467	1,494	1,488	1,375
Trade Receivables	2,242	2,429	4,415	4,627	4,594
Inventories	457	429	419	495	428
Investment & etc	1,839	1,628	1,316	1,173	1,241
Tangible Assets	1,412	1,422	2,348	2,195	2,280
<b>Total Liabilities</b>	<b>5,147</b>	<b>5,647</b>	<b>7,275</b>	<b>7,306</b>	<b>7,266</b>
Total Payables	1,483	1,366	1,680	1,734	1,629
Borrowing	772	972	1,323	1,776	1,907
<b>Total Shareholders' Equity</b>	<b>3,035</b>	<b>3,299</b>	<b>3,771</b>	<b>3,958</b>	<b>3,984</b>
Capital Stock	255	255	255	255	255
L/E Ratio	169.6	171.2	192.9	180.4	182.4

\*K-IFRS Consolidated

# Appendix – Income Statements



		(KRW billion, %)				
Account		08	09	10*	11*	12.1Q*
Sales Revenue	Civil Engineering	657	833	1,048	1,097	252
	Plant	2,099	2,341	2,671	3,434	831
	Power Plant & Environment	393	495	542	921	273
	Architecture	1,275	1,180	1,497	2,226	403
	Housing	2,442	2,528	2,354	1,076	282
	Parnas etc.	-	-	308	298	67
<b>Total</b>		<b>6,866</b>	<b>7,377</b>	<b>8,420</b>	<b>9,052</b>	<b>2,108</b>
Gross Profit		913	955	1,130	1,029	215
Selling and Administrative Expenses		435	387	536	634	122
Operating Profit		478	568	633	598	55
Ordinary Profit		549	508	556	564	102
<b>Net Profit</b>		<b>382</b>	<b>383</b>	<b>406</b>	<b>427</b>	<b>75</b>

\*K-IFRS Consolidated



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