

Investor Presentation

Korea Water Resources Corporation



April 2022

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Overview of K-water



Introduction to K-water

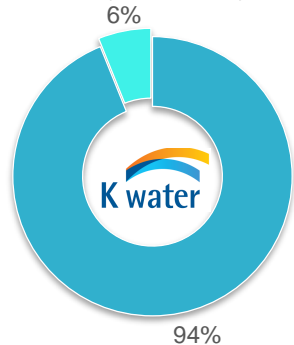
100% owned by the Government, K-water is the sole policy arm of Korea specializing in water resources management

Company Profile

Company Name	Korea Water Resources Corporation (K-water)
Establishment Date	November 16, 1967
Institution Type	Quasi-market type public corporation
No. of Employees	6,508
Total Assets	KRW 23.4 trillion (Dec. 2021)
Revenue	KRW 4.0 trillion (Dec. 2021)
Liabilities	KRW 13.5 trillion (Dec. 2021)

Ownership Structure

100% owned by the government
(directly or indirectly)



■ Government ■ Korea Development Bank



Aa2 (Stable) **AA (Stable)**
Moody's INVESTORS SERVICE S&P Global

100% Ownership

Aa2 (Stable) **AA (Stable)**
Moody's INVESTORS SERVICE S&P Global

Business Strategy and Vision

Vision

The World's Best Comprehensive Water Platform Provider

Strategic Direction

Integrated water management against climate change

Secure supply of trustable and drinkable water

Realization of a global leading water value network

Dynamic, innovative value creating communication

Business Strategy



Safe Water Project
(Water Environment)

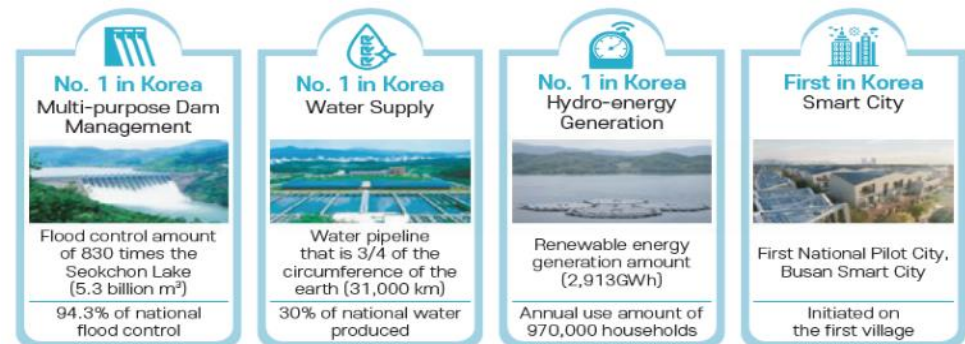


Water Sharing Project
(Metropolitan)



Water Convergence Project
(Green Infrastructure, Global)

Sole Public Corporation for Water Management



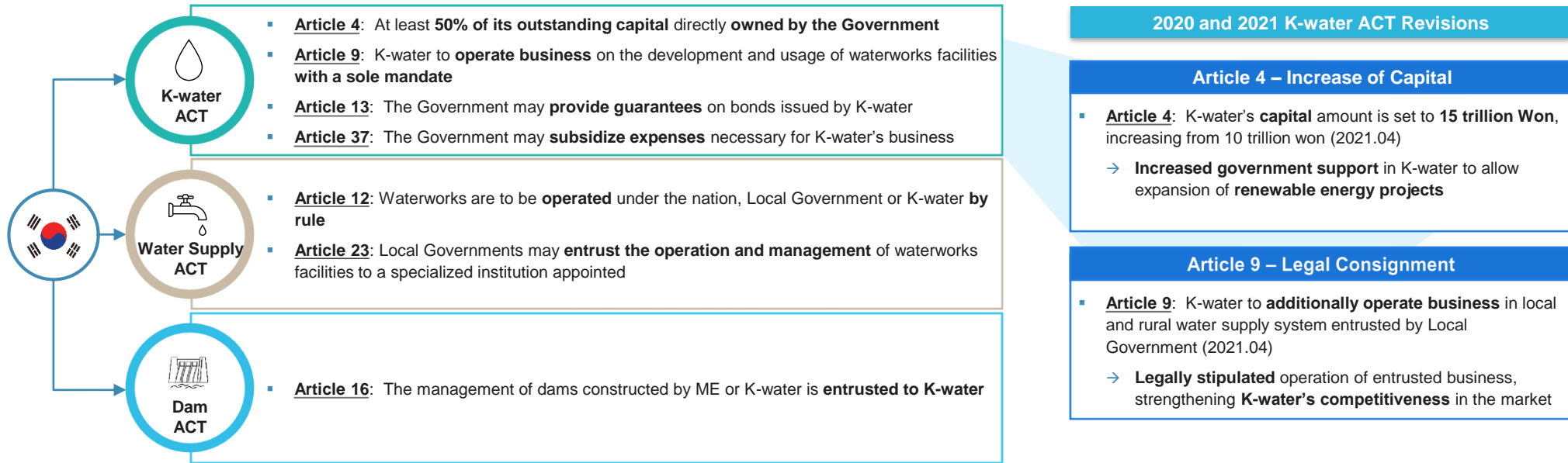
K-water is the only public corporation in Korea specializing in water for the comprehensive development and efficient management of national water resources

Source: Company information, As of December 31, 2021.

Company website, K-water Annual Sustainability Report, 2021.

Solid Legal Framework with Government Support

The central agency for water resources with concrete legal framework



Responsibility

	Dams		Water Supply (Waterworks)		Sewerage	River Management
	Multipurpose dams (Hydropower)	Water supply dams	Flood control dams	Multi-regional/industrial	Local	National rivers
K water	✓	✓	✓	✓	✓	✓
Ministry of Environment	✓	✓	✓	✓	✓	✓

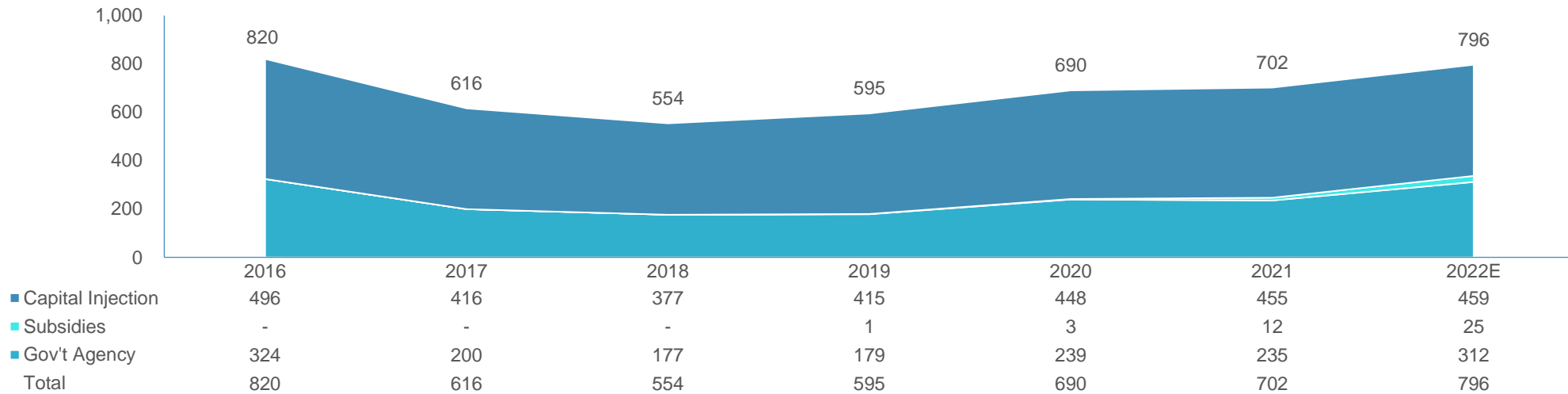
Source: Company information, As of December 31, 2021.

Strong Financial support from the Government

Strong track record of receiving regular financial support from the Government in diverse forms

Financial Support from the Government

(KRW bn)



Support Type

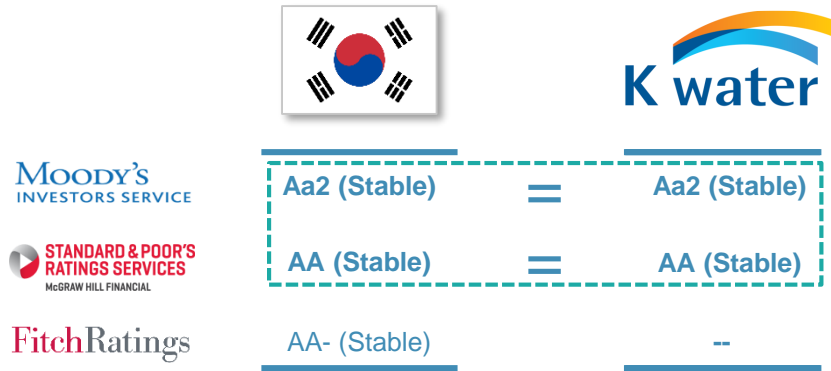
- Capital Injection:** Businesses that involve production of public goods the Government invests in (i.e., construction of waterworks, Kyung-In Canal project)
 → Includes financing costs and repayment of a portion of the principal amount associated with the Four River Restoration Project from 2016 and onwards
- Subsidies:** National projects funded by the state (i.e., financing cost of the Four River Restoration Project, Seawater Desalination Construction Project)
 → Subsidies for financing costs of the Four River Project lasted until 2015
- Government Agency:** Projects implemented by an entity on behalf of the state, funded with national treasury (i.e., dam construction, expansion of dam capacity)

Source: Company information, As of December 31, 2021.

Credit Ratings on Par with the Sovereign

Strong ratings further backed by the sovereign's resilient and optimistic mid to long-term prospects

K-water Ratings- On Par with the Government



K-water's strong mandated policy role linkage justifies its equal credit ratings with the Government



"Expectation of a **very high likelihood of Government support** for K-water in times of need is underpinned by the company's mandated essential policy role and strategic importance as Korea's dominant water utility"

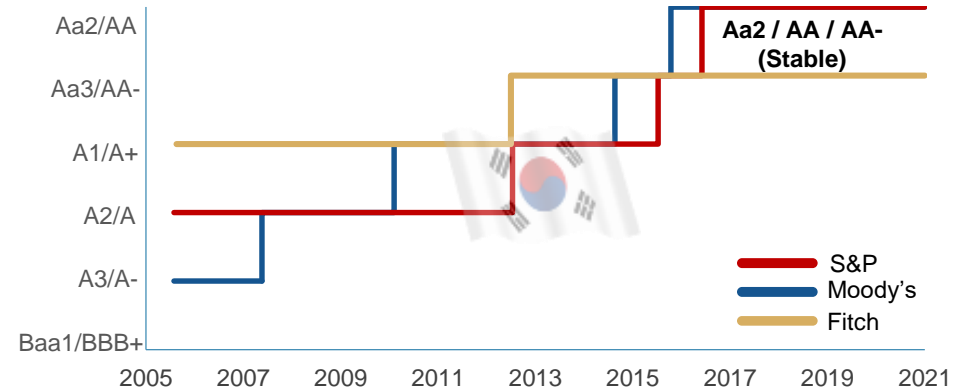
Moody's Credit Opinion (April 30, 2021)



"K-water...the sole Government-owned national-scale builder and operation of wholesale water supply infrastructure in Korea...In the event of financial distress, **likelihood of extraordinary Government support for K-water is almost certain**"

Standard & Poor's Ratings Direct (August 2, 2021)

Sovereign Ratings- Stable & Optimistic Prospects



The Republic of Korea's credit ratings have been on a consistent upward trend without a single downgrade since 2005



"The Korean economy's broad diversification, competitive advantage in export-led manufacturing, and fiscal space have contributed to its resilience, and Moody's expects **economic growth to rebound strongly**"

Moody's Rating Action (October 4, 2021)



"Korea's record of steady economic growth has created a well-diversified and prosperous economy...the **country's long-term growth prospects remain strong** despite the disruptions caused by the pandemic"

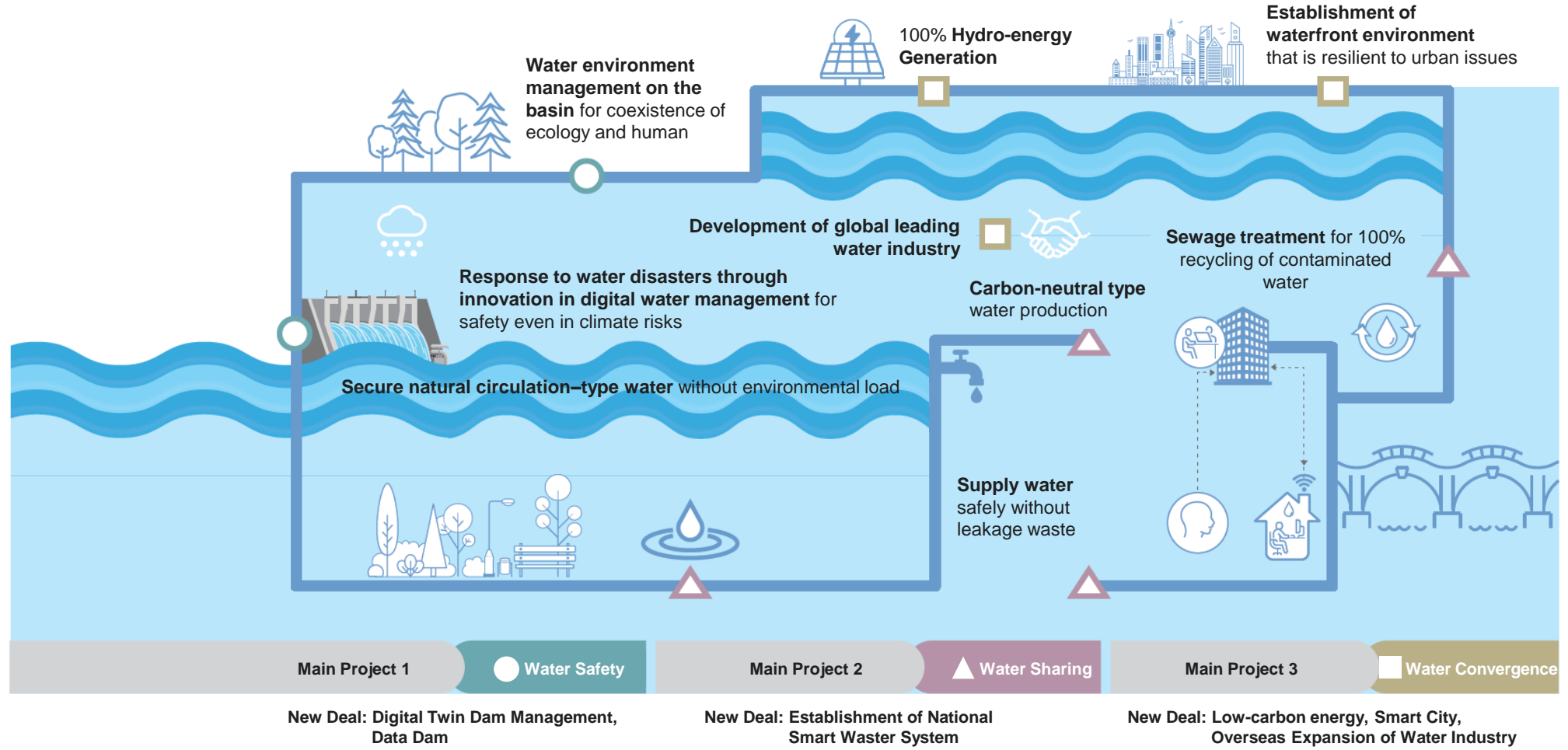
Standard & Poor's Ratings Direct (October 28, 2021)

K-water's Business and Operations



The Water System at a Glance

Strategic policy agent for Korea's water system management

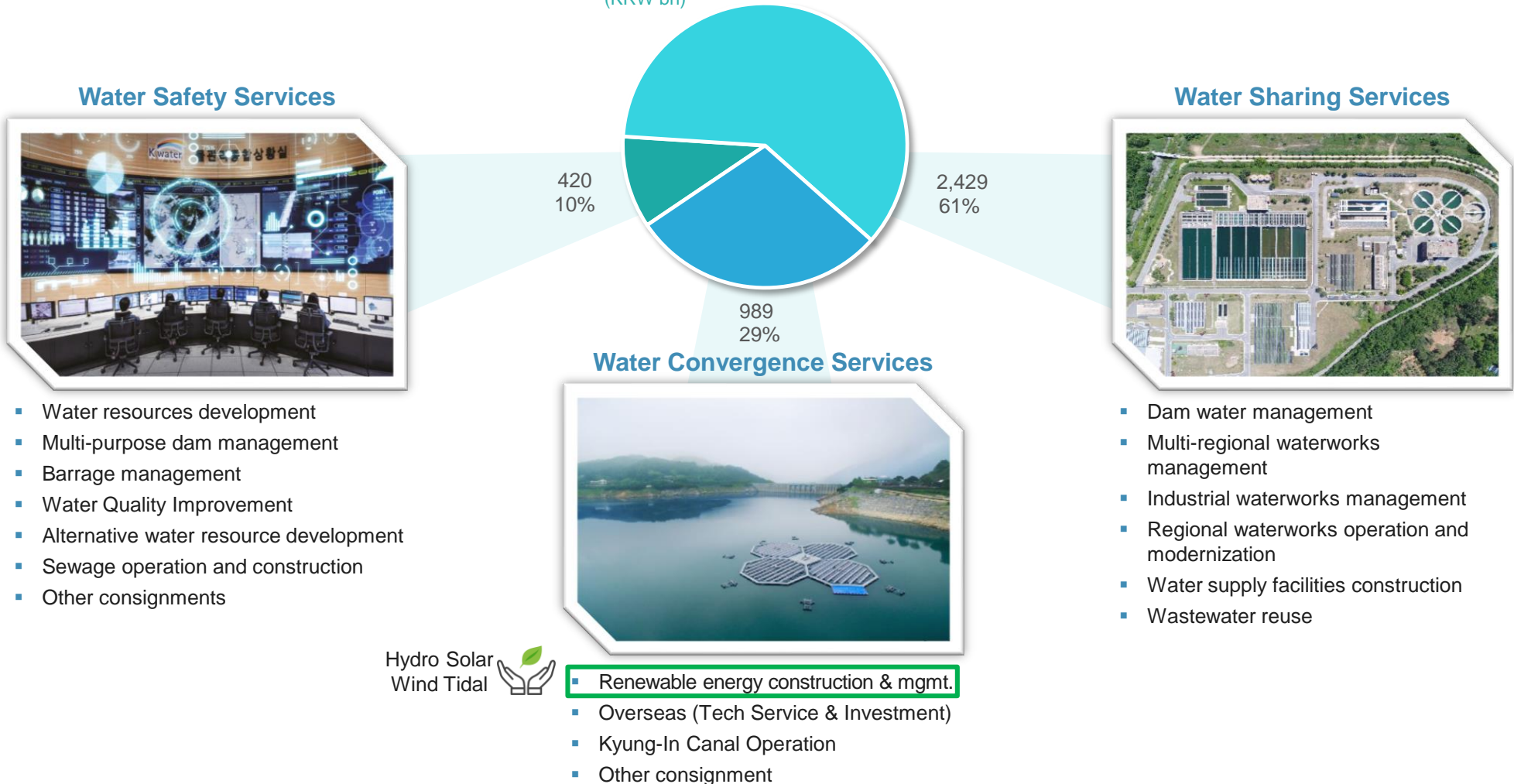


Source: Company information, As of December 31, 2021.

Business Breakdown

Diversified business mix with water resources and water supply businesses as the predominant sources of revenue apart from the private investment business

2021 Revenue Breakdown
(KRW bn)



Water Safety Services



- Water resources development
- Multi-purpose dam management
- Barrage management
- Water Quality Improvement
- Alternative water resource development
- Sewage operation and construction
- Other consignments

Water Sharing Services



- Dam water management
- Multi-regional waterworks management
- Industrial waterworks management
- Regional waterworks operation and modernization
- Water supply facilities construction
- Wastewater reuse

Water Convergence Services



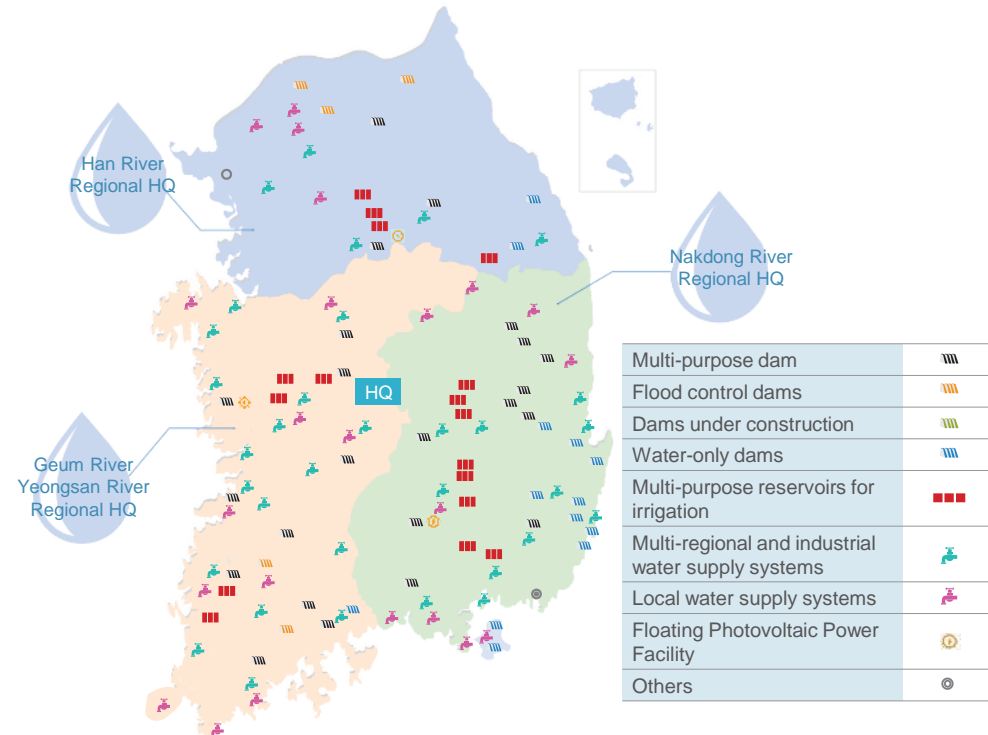
Hydro Solar
Wind Tidal 

- Renewable energy construction & mgmt.
- Overseas (Tech Service & Investment)
- Kyung-In Canal Operation
- Other consignment

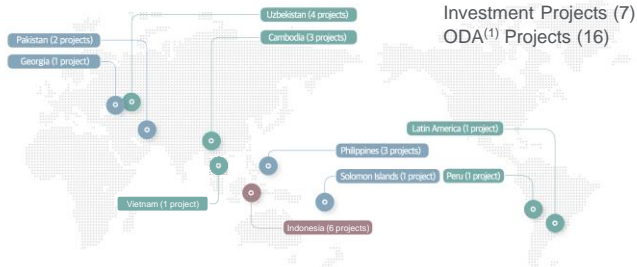
Source: Company information, As of December 31, 2021.

Operations Overview

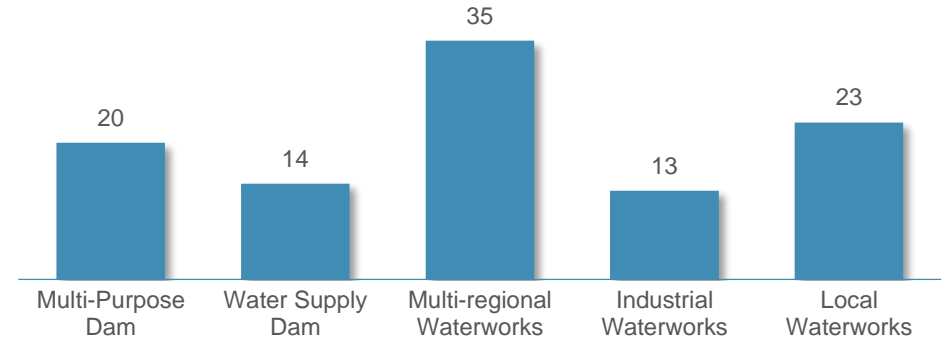
Solid status on operating and constructing Integrated Water Management Facilities



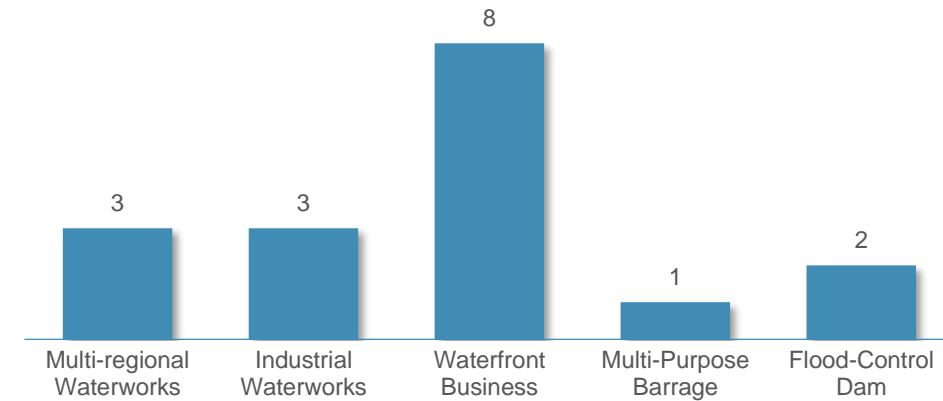
Overseas Projects: 23 Projects in 10 Countries



Current Operations under K-water



Construction in Progress



Source: Company information, As of December 31, 2021.

Note: (1) Official Development Assistance

Positive Long-Term Tariff Outlook

In close cooperation with the Government for sufficient cost recovery under the current tariff mechanism

Overview of Mechanism for Setting Water Tariffs



Water Tariff Determination

- Under the Price Stabilization Act, water tariffs are calculated/determined at the level of compensating the total costs, and consist of the reasonable cost and the reasonable investment charges for re-investment
 - Reasonable Cost: Labor Cost, Electricity Cost, Material Cost, etc
 - Reasonable Investment Charges: Investment Interest, Cost of Capital

Current Status

- The Government has enabled K-water to recover almost all of its operating costs for waterworks by adjusting tariffs
- This is reflected in the stable operating margin for the waterworks business of about 9%-10% in 2016-2020

Outlook

- A correlation between the tariff rate adjustment and Korea's inflation rate is expected, as seen in the 4.8% tariff hike in September 2016
- Korean Government will continue to allow K-water to recover almost all its operating costs by adjusting tariffs on a regular basis

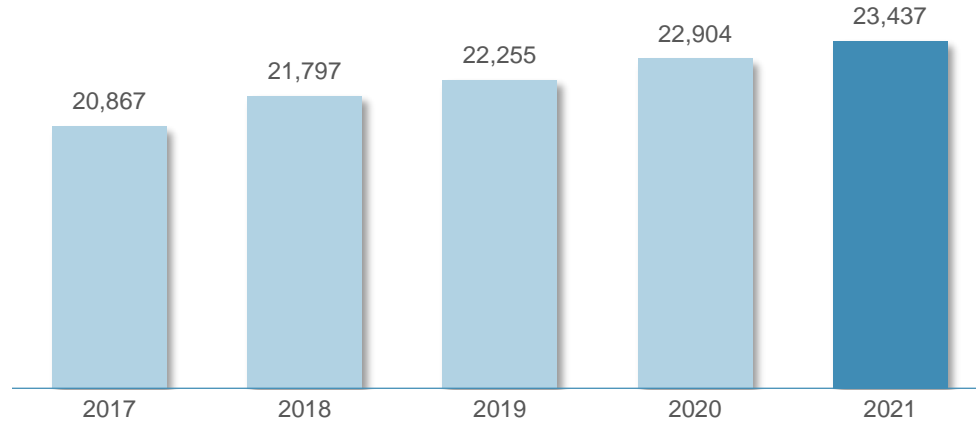
Source: S&P Global Ratings, August 2021, Company information, As of December 31, 2021.

K-water's Financial Profile

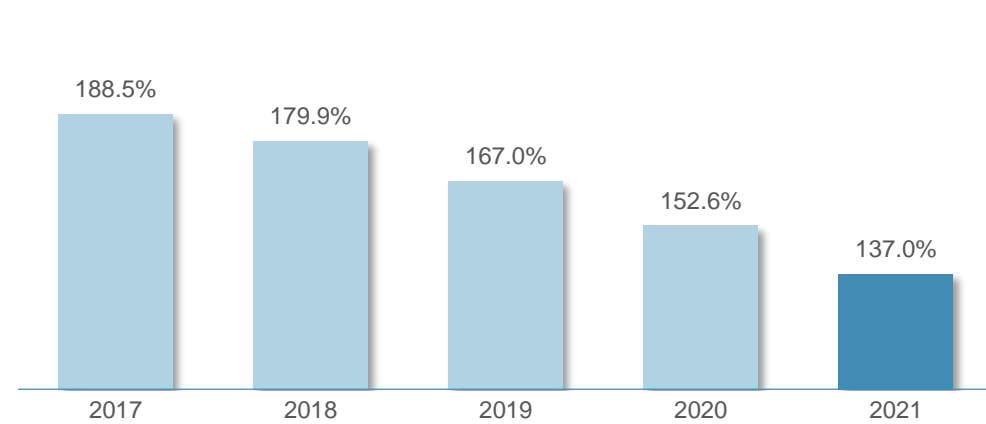


Financial Highlights – Balance Sheet

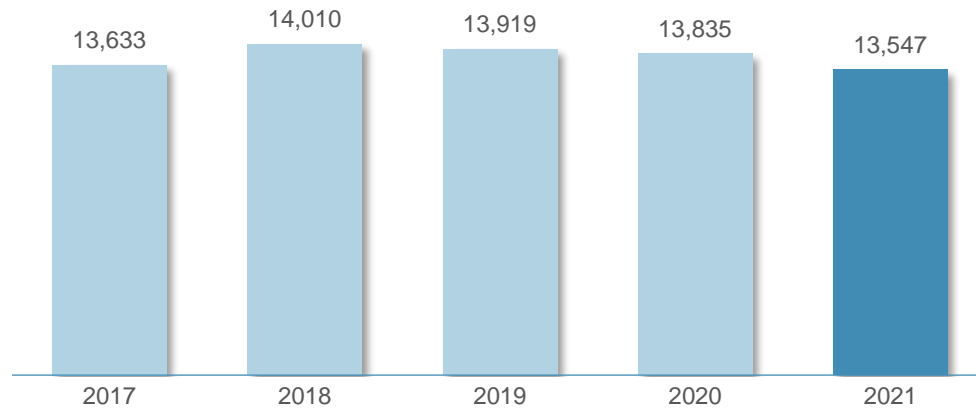
Total Assets (KRW bn)



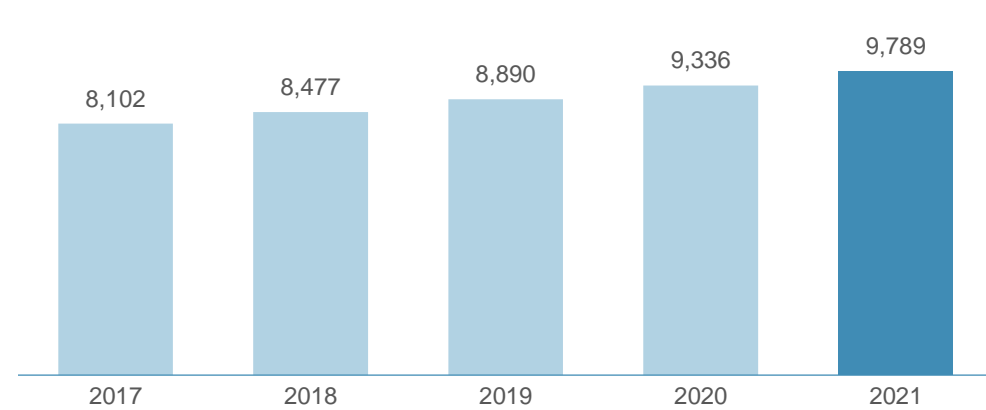
Total Liabilities / Total Shareholders' Equity (%)



Total Liabilities (KRW bn)



Annual Paid-in Capital (Accumulative) (KRW bn)

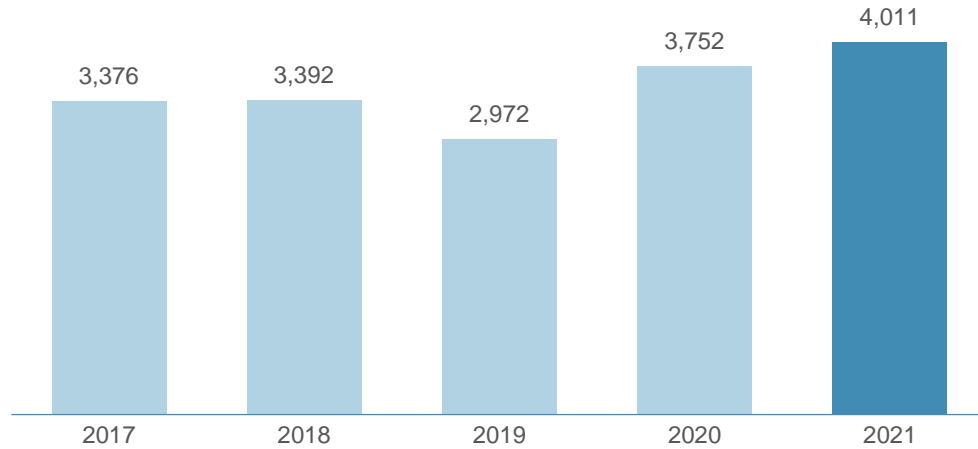


Source: Company information, As of December 31, 2021.

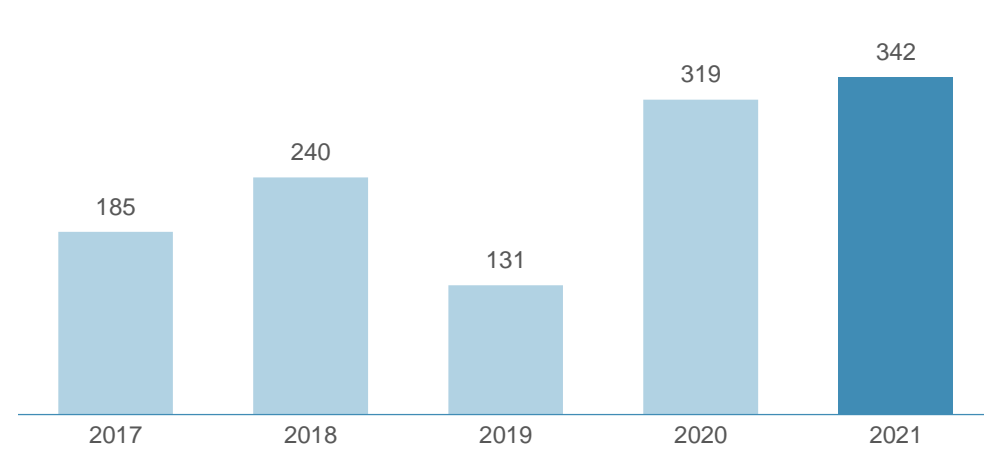
Note: consolidated basis and all items under Korean Government-owned and Quasi-government Accounting Regulations and Standards ("Government Accounting Standards") and K-IFRS.

Financial Highlights – Profitability

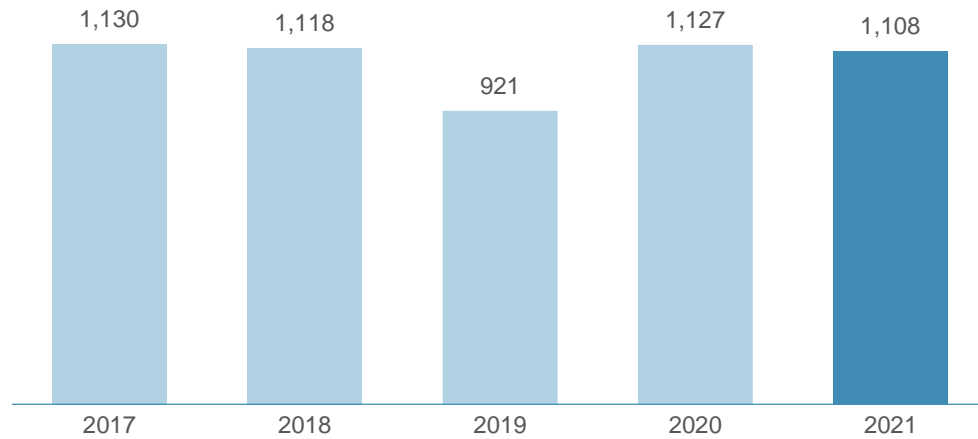
Revenue (KRW bn)



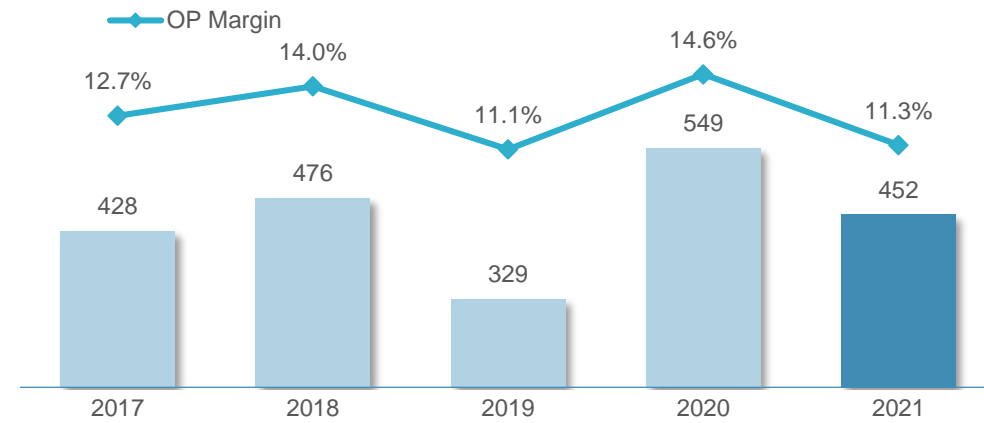
Net Income (KRW bn)



EBITDA (KRW bn)



Operating Profit (KRW bn)



Source: Company information, As of December 31, 2021.

Note: consolidated basis and all items under Korean Government-owned and Quasi-Government Accounting Regulations and Standards ("Government Accounting Standards") and K-IFRS.

Summary of Financial Statements

Balance Sheet

<i>(KRW bn)</i>	2018	2019	2020	2021
Assets				
Current Assets	8,208	8,506	9,354	9,669
Non-Current Assets	13,588	13,749	13,551	13,768
Total Assets	21,797	22,255	22,904	23,437
Liabilities				
Current Liabilities	2,901	3,202	4,109	4,669
Non-Current Liabilities	11,108	10,717	9,725	8,879
Total Liabilities	14,010	13,919	13,835	13,547
Stockholder's Equity				
Capital	8,486	8,901	9,349	9,804
Others	(741)	(614)	(314)	41
Non-controlling interest	42	49	34	45
Total	7,787	8,335	9,069	9,889

Source: Company information, As of December 31, 2021.

Note: consolidated basis and all items under Korean Government-owned and Quasi-government Accounting Regulations and Standards ("Government Accounting Standards") and K-IFRS.

Summary of Financial Statements

Income Statement

<i>(KRW bn)</i>	2018	2019	2020	2021
Revenue (Sales)	3,392	2,972	3,752	4,011
Cost of Sales	(2,745)	(2,436)	(2,990)	(3,334)
Selling and Administrative Expenses	170	207	212	226
Operating Profit	476	329	549	452
Other Income	141	41	45	63
Other Expenses	(20)	(75)	(43)	(77)
Other Gains (Losses)	1	1	2	6
Financial Income	65	149	124	194
Financial Cost	(381)	(334)	(304)	(286)
Profits (Loss) Related to Equity Method-Targeted Affiliates	(7)	(6)	(8)	(3)
Net Profit Before Corporate Tax Deduction	274	104	366	350
Corporate Tax Expenses	33	(38)	48	8
Net Profit	240	131	319	342
Other Comprehensive Income	(31)	1	(31)	22
Total Comprehensive Income	208	131	288	364

Source: Company information, As of December 31, 2021.

Note: consolidated basis and all items under Korean Government-owned and Quasi-government Accounting Regulations and Standards ("Government Accounting Standards") and K-IFRS.

K-water's Commitment to Sustainability



K-water's Sustainability Management

Providing a brighter, happier and more prosperous future with water

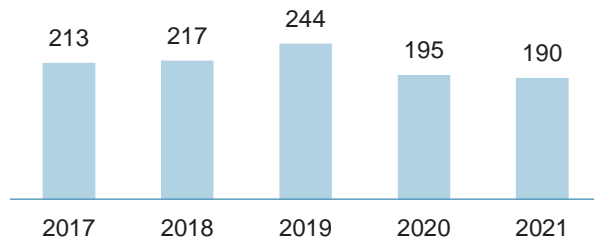
K-water Sustainability Strategies



K-water Achievement

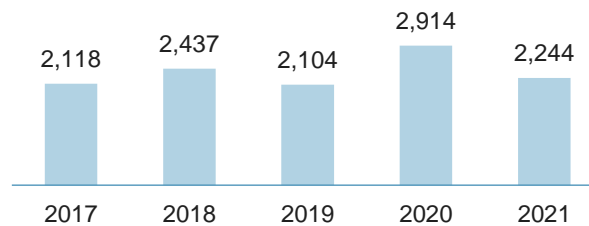
Total Greenhouse Gas Emission per Revenue

(ton CO_{2eq} / KRW1bn)



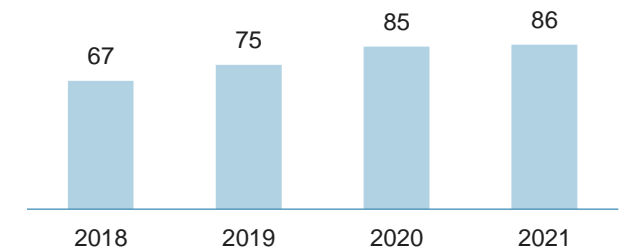
Total Renewable Energy Production

(000' MWh)



Water Flow Rate Improvement & Savings in Local Waterworks

(%)



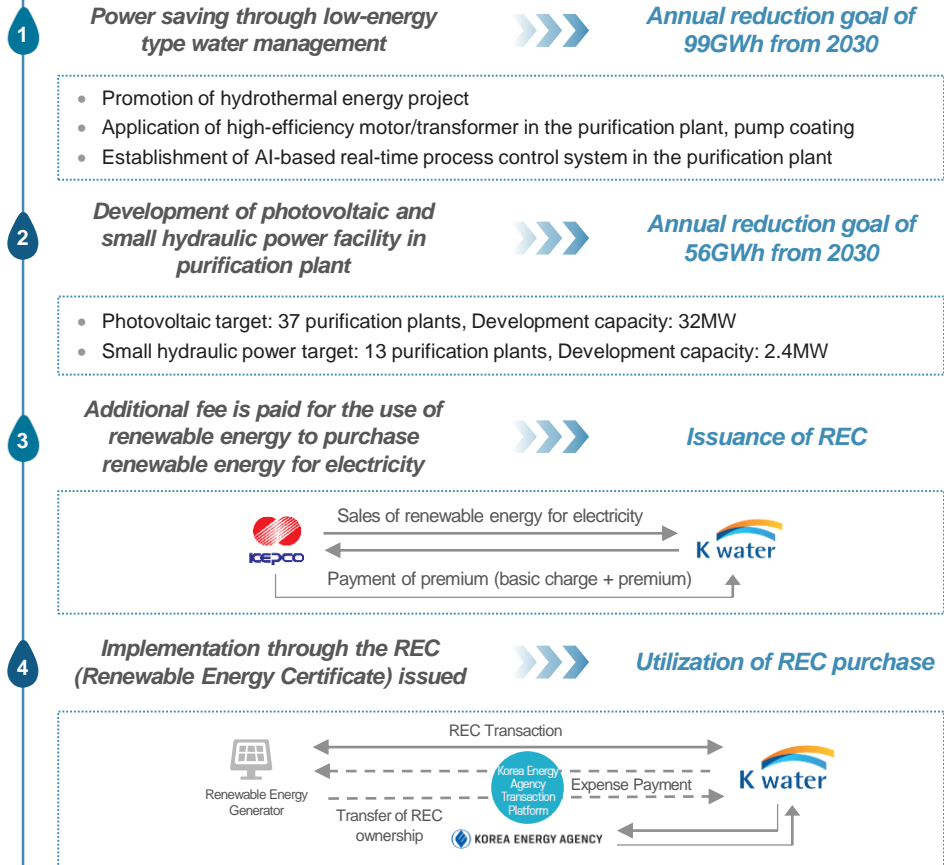
Source: K-water's 2021 Sustainability Report; Company information, As of December 31, 2021.

Contribution to Global Initiatives

Participation in global initiatives to strengthen ESG management



- Joined RE100 in April 2021 as the first Korean public enterprise in Korea in response to the low-carbon era
- 100% of the power usage is planned to be replaced by renewable energy until 2050



- Participated as a member of TCFD in 2021 to lead the ESG management system and to support the recommendations of TCFD
- Reinforcement of climate-related response system such as strengthening response to disclosure of financial information and internalization of risk management system according to recommendation from TCFD



Source: K-water's 2021 Sustainability Report.

Update of K-water's Green Financing Framework

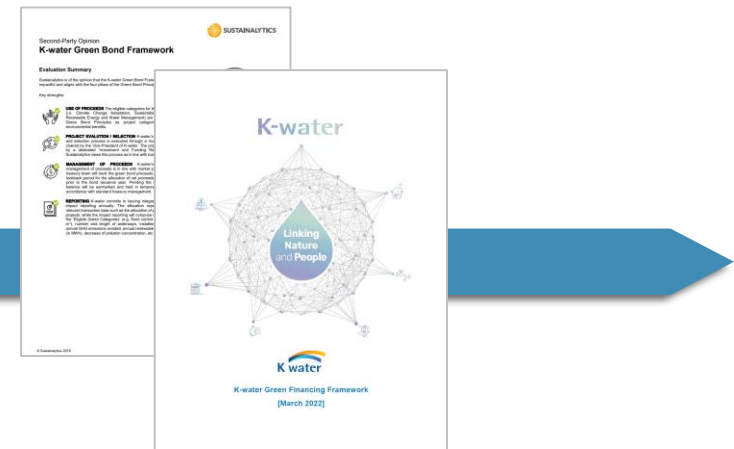
Updated Framework complies with the highest ESG standards

Green Financing Framework Key Updates

2018 Green Bond Framework for Green and Water Bond Issuances



2022 Green Financing Framework



Key Highlights

- ✓ Green Bond Framework for Green and Water Bond issuances is presented in line with **2017 Green Bond Principles** (“GBP”)
- ✓ UoPs: “Eligible Green Projects”
 - **Climate Change Adaption**
 - **Sustainable Water Supply**
 - **Renewable Energy**
 - **Water Management**



Key Highlights

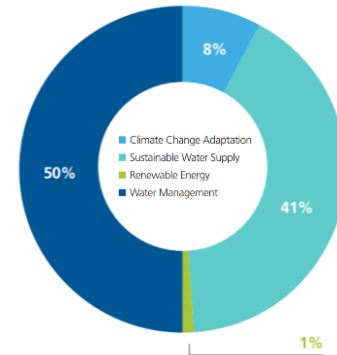
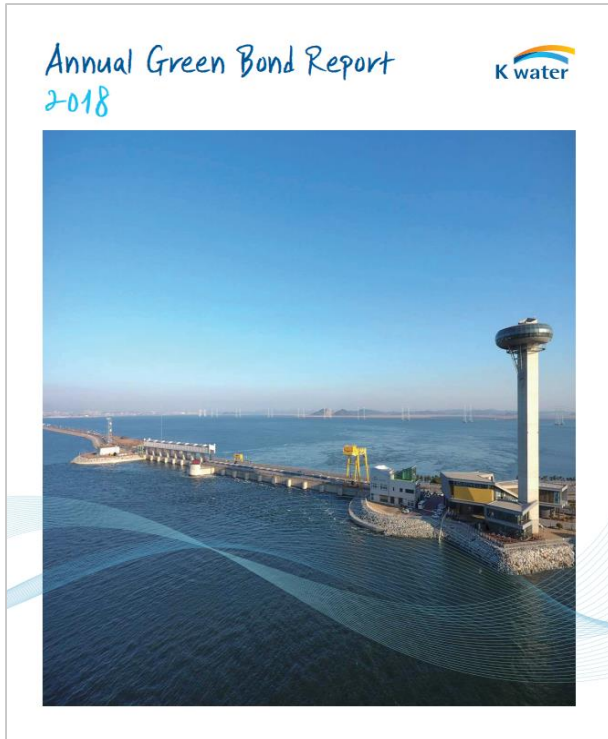
- ✓ Development of a new **Green Financing Framework** that addresses the key pillars of **2021 GBP** and **2021 Green Loan Principles** (“GLP”), meeting the most recent ESG market standards
- ✓ Additional UoPs: “Eligible Green Projects”
 - **Sustainable Wastewater Management**
- ✓ Matching each of the UoPs with UNSDGs
- ✓ K-water commits to conduct **independent external reviews** on the post-issuance allocation and impact reporting.

Note: Framework and SPO is available on K-water website, https://www.kwater.or.kr/eng/inve/greenBondPage.do?s_mid=1782.

Summary of Green Bond Report

Active participation in green projects contributes to K-water's ESG goals

2018 Annual Green Bond Report



< Allocation of Proceeds >

Eligible Project Category	Sub-Category	Amount allocated
Sustainable Water Supply	Improvement in water supply infrastructure to increase efficiency and accessibility of water delivery system	USD157.4m
Water Management	Improvement in water management for local waterworks and sewage	USD192.7m
Climate Change Adaption	Amplification of dam capacity as a preliminary measure to extreme floods	USD31.2m
Renewable Energy	Small hydro, Floating photovoltaic, Photovoltaic, Tidal power	USD5.9m

< Impact Reporting >



1,468t

of annual CO2 emissions avoided

3,149MWh

of annual power generation

37 million m³

of annual increase in water supply

2.1 million m³

of volume of swage treated annually

1,714m³/s

of increase in dams discharge capacity

- ✓ As of 30 May 2019, a total of USD 300 million of proceeds were raised through the K-water Green Bond, of which the full amount has been allocated to Eligible Projects
- ✓ Annual Green Bond Report is available in K-water's Website:
https://www.kwater.or.kr/eng/inve/greenBondPage.do?s_mid=1782

Source: K-water's 2018 Annual Green Bond Report.

Investment Highlights



1

Strong Linkage with the Government

- 100% Government-owned public corporation with a clear-set water management agency mandate
- Entrustment of all water management businesses from the Ministry of Environment
- Strong track record of financial support from the Government backed by solid legal framework

2

Solid Credit Ratings & Financial Profile

- Credit ratings equivalent to the sovereign → Aa2 (Stable) by Moody's / AA (Stable) by S&P
- Steady revenue generation even during the pandemic owing to stable national water usage
- Gradual and consistent decrease in total liabilities per shareholder's equity through consistent loan repayment

3

Diversified Operation with Stable Business Structure

- Critical role over the span of water supply and management as well as waterfront and energy businesses
- Extensive business field area across South Korea in addition to 23 projects in 10 countries overseas
- The Government's tariff revenue system in place throughout economic fluctuations to cover all incurring costs

4

Commitment to Sustainability Management

- Strategy that consists of 7 ideal future and 2030 strategic goals to meet the global water management standards
- The first Korean public enterprise to join the RE100 initiative and transparent disclosure according to TCFD
- Updated Framework to comply with the highest ESG standards and meet investors' expectations.

Thank You

