

# K-water, The Pioneer



A 'Bigger and more dynamic' K-water is rapidly developing into the world's best water service company, providing end to end solution for the water industry. As a Green Hub, K-water of Korea is pursuing green growth to lead a new way.

**K-water will always be with its customers**

**and Koreans so that they can enjoy**

**a happier world with water.**



04 **Message from the CEO**

06 **Vision and Strategy**

08 **2010 Management Performance**

10 **History of K-water**

12 **Financial Results**

14 **The Pioneer**

Water resources business, Water supply business,  
Green business, Overseas business

36 **The Innovator**

Customer management,  
Green management,  
Ethical management, Management innovation,  
Research and development (R&D),  
Human resources,  
Social contribution

52 **The Creator**

Financial statements, Board of directors,  
Organization chart

# CONTENTS

# A bigger and more dynamic K-water will make a 'happier world with water!'

**We'd like to express our heartfelt thanks to our customers.**

In 2010, K-water changed a crisis into an opportunity.

All of our executives and employees worked together as one to lay the foundation for projects to save the four rivers and to create the Gyeongin Ara waterway, as well as taking important steps for the provincial water supply and overseas projects, which are a key growth engine projects.

We have pushed for a trouble-free water supply and water resources service, and have laid the groundwork for strong growth by establishing complexes in Sihwa, Songsan and Gumi.

We have prepared the foundation for sustainable growth by improving laws and institutions, and made efforts to improve our structure and to cultivate competitiveness through managerial innovation.

Thanks to such efforts, the corporation was selected as one of Korea's excellent public companies for two consecutive years, and achieved the historic marks in terms of customer satisfaction.

Dear customers who love K-water.

We will try to make K-water a bigger and more dynamic company in 2011 in line with the changes in the surrounding environment.

To do this, we plan to focus our capacity on four areas.

**First, we will skillfully finish ongoing national projects.**

We will finish all processes of the Gyeongin Ara waterway which is due to open in October and the main streams of the four rivers within the year, and will try to perfectly manage their operations. We will create a masterwork that will be remembered in history by conducting perfect quality management and thinking creatively.

**Second, we will materialize a vision for future growth.**

To achieve our goal of becoming a global water company that provides comprehensive solutions for the water industry, we will make a concrete road map for future growth projects, and promote them systematically.

**Third, we will prepare a strong foundation for management.**

First of all, we will improve our financial structure. We will improve our earnings structure through efforts to reduce costs and to continuously generate cash flows, strategically adjust our portfolio, and foster our capacity to reach global standards by developing the core technologies that will lead future markets, while actively cultivating gifted workers.

**Fourth, we will try to become a company that is trusted by its customers.**

Externally, we will provide the highest level of service that satisfies our customers, while fulfilling our social responsibility. Internally, we will practice ethical management, manage conflicts through communication, and establish a fair organizational culture.

Dear customers of K-water.

In 2011, we will seize this opportunity to develop into a bigger and more dynamic K-water. We will lead in the effort to pursue the green growth which is required in the 21st century, with the attitude required to overcome difficulties, explore new directions, and work hard to make a happier world with water.

Thank you very much.

President of K-water *KyeonHo Kim*



Korea Water Resources Corporation will become a world-class company by identifying new growth opportunities and strengthening our core capacity.

To achieve this, we are establishing and carrying out medium-to-long term plans for strategic management.

# Water for the Happier World

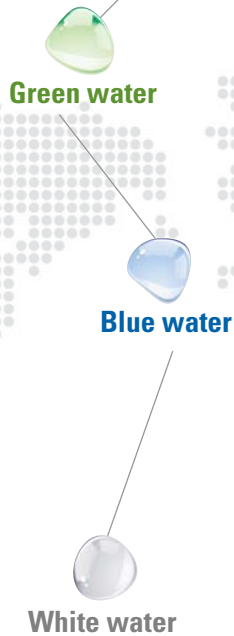


## Amendment of Mission and Vision



Korea Water Resources Corporation has amended its mission, which was 'to make a happier world with water,' to its new vision of 'the world's best water service company (Global Best on 3Water+).' '3Water+' refers to the materialization of the corporation's three strategic directions, which are public service (to expand public service), growth (to realize continuous growth) and efficiency (to secure global competitiveness) with a water logo consisting of three colors; green, blue and white. '3Water+' expresses the corporation's commitment faithfully accomplish its founding goals and vision by establishing and promoting strategies that correspond with the values pursued by the nation in the area of water resources management.

### Three Strategic Directions



● **To expand public services (strengthen public functions)**

To realize a world that is free from water problems and that is happy due to a plentiful supply of clean water, we push for the strengthening of water management functions to cope with climate change as our number one priority, pursue green management for the environment, and aim to materialize a people-friendly public company that is loved and trusted by the people by strengthening customer-oriented management.

● **To realize sustainable growth (strengthen earnings base)**

We will realize the integrated management of water resources to lead a shift in the nation's water management paradigm by preparing an operation base linking dams, reservoirs and rivers through a project to save the four rivers and lead the rapidly-growing water market, after securing a total solution capacity by integrating metropolitan water services, provincial water services and sewage. We also will realize sustainable growth as a total water management service company by exploring and promoting projects that focus on green growth as a new growth strategy.

● **To secure global competitiveness (strengthen core capacity)**

We will continuously enhance the efficiency of the overall management by considering the organization, personnel affairs, performance and labor-management relations as a base for accomplishing our vision and carrying out strategies, cultivate core technologies to generate high added value and core talents to lead changes in the managerial environment, and reach a global level of competitiveness after securing financial health to promote smooth management activities.

## Mission

We make a happier world with water.



**To expand public service  
Green water**

To cope with climate change  
To strengthen social responsibility  
To strengthen a customer-oriented management approach

**To realize sustainable growth  
Blue water**

To realize the integrated management of water resources  
To realize a total water supply service  
To create a low-carbon green space  
To strengthen the capacity for overseas business

**To secure global competitiveness  
White water**

To secure financial health  
To advance corporate culture  
To cultivate R&D and gifted workers



# 2010 Business Results

The management performance achieved by Korea Water Resources Corporation in 2010 is the fruit of efforts made by all executives and employees.



2010. 06. 17

**K-water's representative brand, the completion of a supplementary spillway for Songyanggang Dam**

On June 17th, K-water held an opening ceremony for a supplementary spillway for Soyonggang Dam, after a construction period of about seven years. Soyonggang Dam was built 37 years ago. With the completion of the spillway, the discharge capacity of Songyanggang Dam has doubled, greatly improving its ability to control floods in the basin of the Bukhan River.

2010. 06. 30

**A promise made to the people: early completion of GUNNAM Dam**

The construction of the GUNNAM flood control dam, which was designed to prevent flood damage in the basin of the Imjin River and to cope with unexpected discharge from Hwanggang Dam to the north, was completed on June 30th, 14 months ahead of schedule. In this way, K-water has demonstrated its efforts to handle disasters, protecting life and property.



2010. 09. 08

**Global K-water is cruising along without a hitch towards the 21st century Blue Gold!**

K-water held a K-water Road Show to enhance its global brand value and to open up new opportunities water markets in Thailand and the Philippines. K-water's Road Show was well-received, with the company winning a contract to build water supply facilities in Mongomo, Equatorial Guinea, its first African contract. K-water is expected to make great developments as a global company leading the water industry, the 21st century blue gold.



2010. 09. 02

**A master key to open a green logistics age!  
Company selected to operate docks of Gyeongin Ara waterway.**

In May and July of last year, companies were selected to operate the containers and the dock of the passenger terminal, respectively. With the selection of a company to operate three docks on Sept. 2, 2010, companies had been chosen to operate all five docks of Gyeongin Port. As a result, Gyeongin waterway will be vitalized as promptly as possible, and is expected to make a great contribution to the realization of green logistics and the development of the regional economy.







## 2010. 10. 13

### K-water wins the 'MAKE' award for a third consecutive years.

K-water has been transforming into a true knowledge management company based on the rich knowledge and expertise it has accumulated over the past four decades. K-water has been recognized from outside for excellent knowledge management, by getting the highest grade from the government and winning a prize for its knowledge management. K-water also was selected by Teleos of England as the most respected knowledge management company, and has received the 'Asian MAKE (Most Admired Knowledge Enterprises)' award, the most prestigious award in the world related to knowledge management, for three consecutive years.

## 2010. 10. 19

### A success model of the nation's first integrated management of local water works!

### Opened water service centers in Tongyeong and Goseong

Water supply service centers, which mark the first step of the nation's integrated management of local water works, were opened in Tongyeong and Goseong on Oct. 19, 2010. Based on the advanced technologies and expertise that K-water has accumulated for over more than 40 years, the company has established a good model of safe water supply and win-win integrated operation of local water works with local governments through operation performance.



## 2010. 11. 09

### K-water leads the future of green industries, registers Buhang and Seongdeok small hydro power CDM business to the UN and completed Sihwa Bangameori wind power plant

On Oct. 15 of last year, the Buhang and Seongdeok small hydro CDM projects were registered to the United Nations Framework Convention on Climate Change. The sixth such registration by K-water, the registration of the two projects contributed to efforts to cope with climate change and is in the world's fourth ranked country in terms of the reduction of greenhouse gas. On Nov. 9, K-water held an opening ceremony for the Sihwa Bangameori wind power plant, which will generate 5,860MWh of electrical power each year. Along with the Sihwa tidal power plant, the new wind power plant will invigorate the regional economy by creating a mecca for new and renewable energy, and enhance K-water's image as an eco-friendly company.



## 2010. 12. 01

### Gunwi multi-purpose dam, a model for eco-friendly dams, is complete

Gunwi dam, which is designed to stably supply water in the central areas of North Gyeongsang Province and control floods in the basin of the Nakdong River, was completed on Dec. 1st, after a construction period of six years and five months. The nation's 16th multi-purpose dam is a model for eco-friendly dam designing and construction. The Gunwi dam, the first in the nation to be equipped with ecological passages, wetlands and a 130,000m<sup>2</sup> sized eco-friendly park, will be reborn as an eco-friendly and resident-friendly dam.

## 2010. 12. 28

### The first-phase of the Sihwa project, which started in 1986 and has been underway for 25 years, was completed.

The first-phase of the Sihwa project, which was designed to increase jobs, stimulate the economy and secure space for population in the capital area and industries, has progressed having been initiated 25 years ago with an investment of about 2,081 billion won. Land of 24.52km<sup>2</sup> was created and a 12.6km embankment was built. As a result, provincial residents can witness the development of Sihwa MTV, Songsan Green City and an advanced multi-functional complex.



## 2010. 12. 28

### Mid-to-long term strategy management plans corrected

K-water corrected and supplemented mid-to-long term strategic management plans to suggest concrete visions for sustainable growth by completing new deals for green new deal projects, such as one to save the four rivers and Gyeongin Ara waterway, and is strategically handling the rapidly changing management environment by reorganizing the global water industry. Through mid-to-long term strategy management plans, the accomplishment of 'Global Best on 3water+' vision will be promoted.



Korea Water Resources Corporation

# History



## Foundation stage

Korea Water Resource's Take-off stage. K-water has also carried out a project assigned by the government to investigate areas around the four rivers, and laid the foundation for the development of water resources. In addition, K-water has prevented damages caused by repeated flooding and droughts by building multi-purpose dams in regions like Andong, Daecheong and Chungju, and has made a great contribution to the development of the national economy and improving quality of life by stably supplying water for the community, industries and agriculture.

- 1967. 11. 16 Founded <Korea Water Resources Corporation>
- 1968. 01. 20 Opened office for construction of Soyanggang Dam
- 1972. 11. 25 Held a desalination ceremony for Soyanggang multi-purpose dam
- 1973. 03. 24 Completed Soyanggang multi-purpose dam
- 1973. 10. 15 Completed investigation of areas around the four rivers
- 1974. 02. 01 Founded <Industrial Base Development Corporation>

## 1967-1974



1967. 11. 16  
Founded <Korea Water Resources Corporation>



1972. 11. 25  
Held desalination ceremony for Soyanggang multi-purpose dam

## Take-off stage

In 1973 when the government started to ambitiously promote policies to boost the heavy chemical industries, K-water built a petrochemical industrial complex in Yecheon, a general mechanical industrial site in Changwon, and an industrial complex in Onsan, forming the cradle of heavy chemical industries in Korea. In addition, K-water introduced a computer system to operate and manage multi-purpose dams, and has expanded its service areas to metropolitan water supply and industrial water.



1977. 07. 28  
Held a groundbreaking ceremony for the expanded part of Gumi industrial complex



1980. 12. 02  
Held an opening ceremony for Daecheong multi-purpose dam



1981. 08. 04  
Helped flood victims

- 1976. 10. 28 Completed Andong multi-purpose dam
- 1977. 07. 28 Held a groundbreaking ceremony for the expanded parts of Gumi industrial complex
- 1980. 12. 02 Completed Daecheong multi-purpose dam
- 1981. 08. 04 Helped flood victims
- 1984. 12. 31 Completed Geumgang water supply facilities
- 1985. 10. 17 Completed Chungju multi-purpose dam
- 1987. 12. 10 Completed Daecheong Dam metropolitan water supply facilities
- 1988. 07. 01 Founded <Korea Water Resources Corporation>
- 1988. 11. 10 Completed the third phase of water supply to the capital area

## 1975-1988



## Growth stage

K-water, which was reborn after transferring jobs from developing industrial bases, began to focus on water resources services, and has strengthened its techniques to operate and manage water resources. K-water has also begun to push for all projects to be carried out in an eco-friendly manner. K-water established an integrated water operation center to apply advance technologies, and has laid the foundation for new growth engines by advancing into overseas projects and developing eco-friendly energy sources.

- 1989. 12. 31 Completed Hapcheon multi-purpose dam
- 1996. 09. 23 Acquired ISO-9001 certificate (Korea's first state-funded institution to do so)
- 2000. 06. 30 Ranked first in the government's evaluation of management performance in 1998-1999
- 2003. 12. 30 Signed an agreement on the consignment of Nonsan water supply (first such agreement on a provincial water supply)
- 2004. 03. 18 Completed international water supply inspection center
- 2004. 06. 30 2002-2003 Ranked first in the government's innovation assessment / Won an award as the most excellent company in terms of management innovation

# 1989-2005



**2003. 12. 30**  
Signed an agreement on the consignment of Nonsan water supply



**2004. 03. 18**  
Completed the international water supply inspection center



## Total water service stage

K-water proclaimed with the enactment of a new CI! This is the beginning of a

new period for K-water, as it pushes toward becoming the world's best water service company. K-water will continuously innovate and establish a global management system based on sustainable management to make a happier world with water by accomplishing the Global Best on 3-water+ Vision.



**2008. 12. 11**  
Promoted project to build Gyeongin Ara waterway



**2009. 06. 12**  
Promoted project to save the four rivers



**2010. 12. 01**  
Completed Gunwi multi-purpose dam

- 2006. 02. 13 Developed a drinking water system in Amaryllis, Peru, and completed a feasibility study for building a water supply
- 2007. 02. 10 Completed an integrated operation center for water supply of the capital area
- 2007. 05. 30 Completed water supply facilities for southern parts of South Jeolla Province
- 2007. 07. 20 Won the grand prize for making a contribution to the Korean society
- 2007. 08. 16 Held a groundbreaking ceremony for Sihwa multi-techno valley
- 2008. 09. 26 Completed water supply facilities for inland areas of South and North Gyeongsang Provinces
- 2008. 12. 11 Promoted the project to build Gyeongin Ara waterway
- 2009. 06. 12 Promoted the project to save the four rivers
- 2010. 06. 30 Completed Gungnam flood control dam ahead of schedule
- 2010. 12. 01 Completed Gunwi multi-purpose dam

# 2006-2010

# 2010 Financial Results



2010 Assets

**184,844** 100 million won

**Asset**

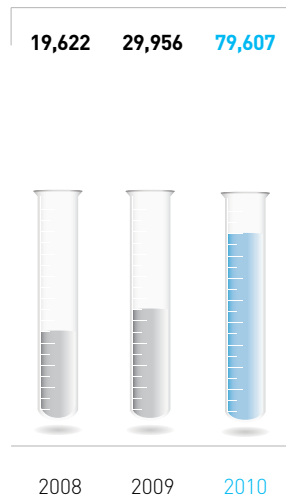
## A s s e t s

We have strengthened the financial health of the company by continuously improving the debt structure and expanding the capital.

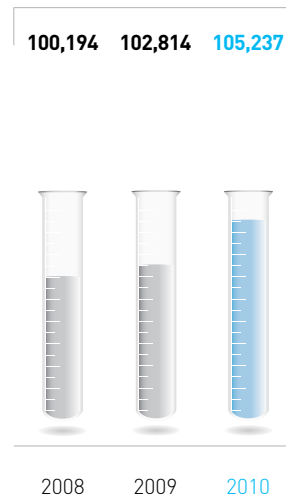
> **Assets** (Unit: 100 million won)



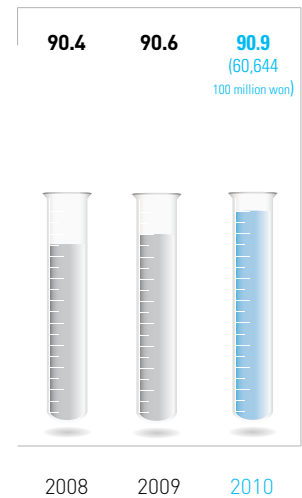
> **Liabilities** (Unit: 100 million won)



> **Equity** (Unit: 100 million won)



> **Capital stock** (government stake) (Unit: %)



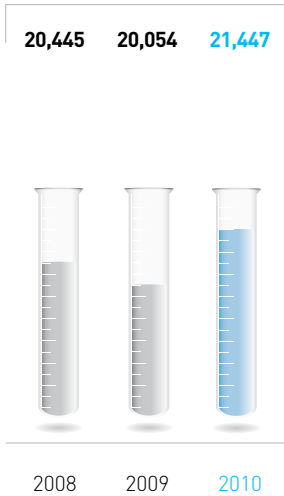
KRW

21,447 100 million won

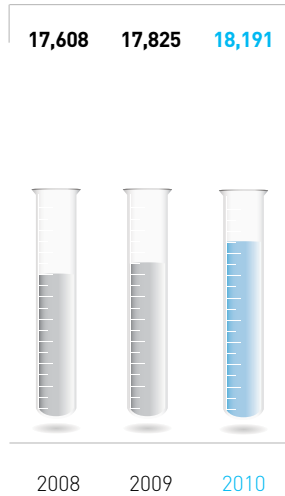
We will open a better future by strengthening our competitiveness and conducting customer value-oriented management.

Sales

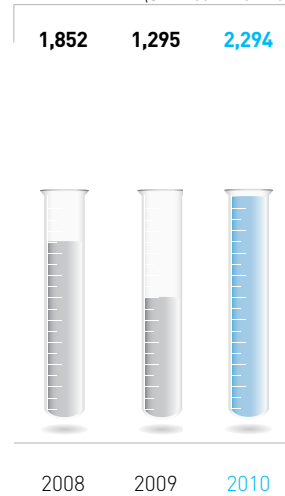
> Revenues (Unit: 100 million won)



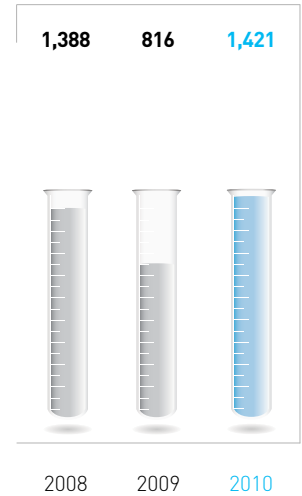
> Cost of sales (Unit: 100 million won)



> Operating income (Unit: 100 million won)



> Net income (Unit: 100 million won)



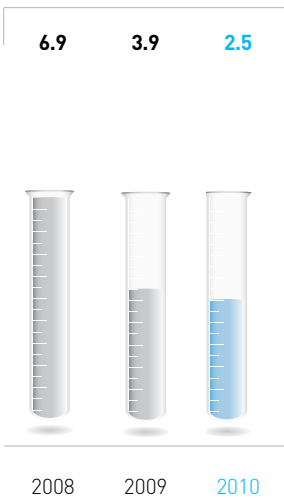
Moody's : A1, S&P : A

International credit rating

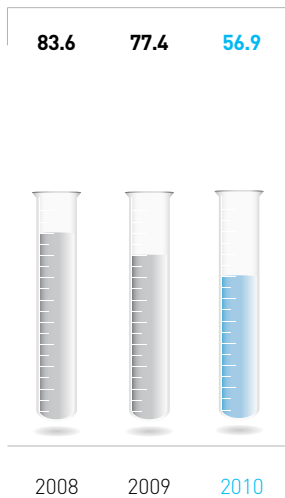
We haven't been shaken by external changes, and kept values owned by K-water only.

Credit Rating

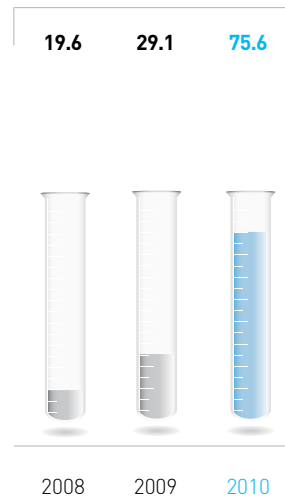
> Interest coverage ratio (Unit: X)



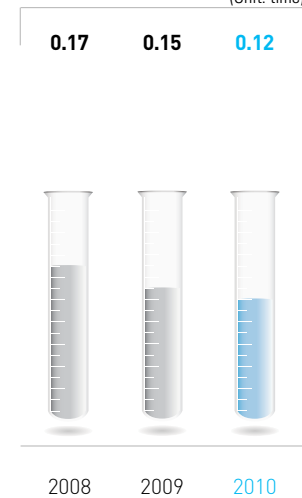
> Capital adequacy ratio (Unit: %)



> Debt to equity ratio (Unit: %)



> Total assets turnover ratio (Unit: time)





## Water resources explorer

K-water does its best to develop  
and manage water resources,  
to make a happier world with water.

# THE PIONEER



# THE PIONEER

Water resources business | Water supply development and management

## K-water will supply clean and safe water, overcoming all water disasters and environmental problems

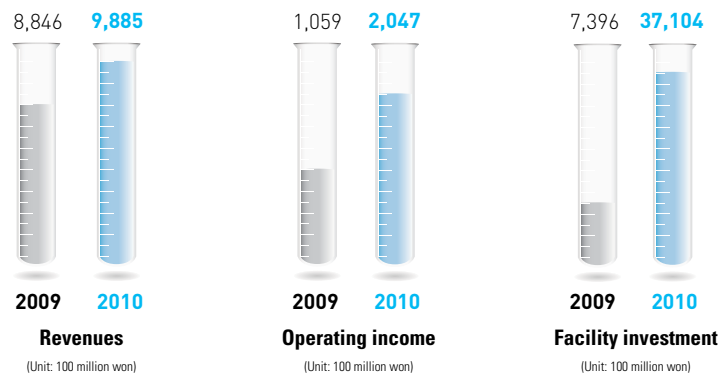
While the nation has frequently suffered from serious floods and drought due to recent climate changes, K-water has systematically controlled the effects of floods using its technologies to predict weather and to analyze floods. With the occurrence of Denmu, a typhoon that took place in the middle of August, four typhoons have now directly or indirectly affected the Korean Peninsula. In addition, low-pressure troughs accompanying fronts have passed through the peninsula, causing seven floods. In these situations, K-water reduced the amount of flooding to a maximum of 5,847 m<sup>3</sup> per second based on the Nakdong River, and lowered the level of rivers by up to 3.4m, using its dams to control floods. These efforts made a great contribution minimizing flood damage. K-water helped its multi-purpose dams secure reservoir water of 9,790 million m<sup>3</sup>, the largest amount ever, at the end of the flood period, through scientific water management. The corporation tried to secure a stable water supply and to improve water quality by using the additionally secured reservoir water during dry seasons. When K-water began to supply water, the company generated pollution-free clean energy of 1,937GWh, and has made a contribution to laying the foundation for the nation's

green growth power.

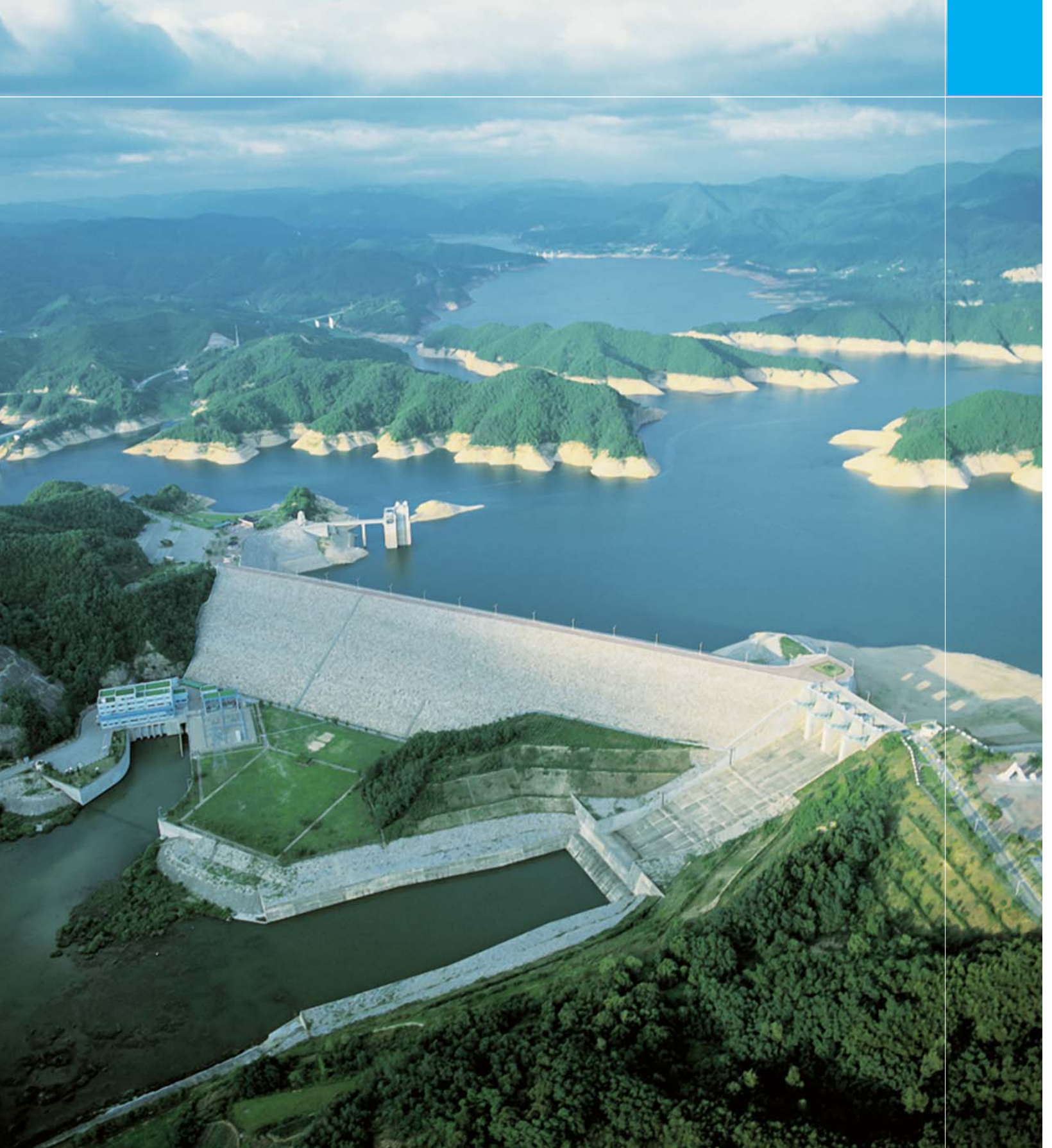
K-water invested a total of 365,000 million won to expand water resources facilities, including five new dams like the one in Gunwi, and has focused on improving its capacity to stably supply water and control floods. In preparation for the occurrence of floods because of recent climate changes, K-water is planning a project to increase the capacities of 23 dams, including Soyanggang Dam, and has improved the safety and capacity of its existing dams to prevent floods by completing nine dams, including Soyanggang Dam, and designed and built nine dams, investing 684,200 million won by the end of last year. K-water is currently managing 15 multi-purpose dams with various functions, such as water supply, flood control and power generation, and the Nakdong River bank. Five new dams are currently under construction.



- 01. Completed supplementary spillway for Soyanggang Dam (6.17)
- 02. Laid the cornerstone of Hantan River flood control dam (7.30)
- 03. Completed Gunwi multi-purpose dam (12.1)







Buan multi-purpose dam

In order to actively cope with climate change and secure stable water resources, K-water is continuously pushing for the development of eco-friendly water resources, to secure sustainable resources, ensure the safety of dams, and ease the problems of water shortage.



## The future of Korea will start again with the project to save the four rivers which will be newly born

The project to save the four rivers was designed to promote recreation at the four rivers. Land without floods and drought, land with a beautiful scenery, and land with a prospering economy and cultures! We have worked to cultivate our precious water. The future of Korea begins from the four rivers.

As a core company involved in the project to save the four rivers, K-water will have invested 8 trillion won by 2012 to restore the value of the four rivers, strengthened by technologies to secure water resources, and do its best to lay the foundation for exports.

After signing a contract to acquire technologies from the U.S. Engineer Corps. and Deltares (Netherlands), K-water has introduced advanced technologies for maintenance and management after successfully completing the four rivers project. K-water has established provincial governance, organized and operated a win-win consulting group, and operated a system in which local residents have been active participants in the process since the beginning of construction.

In addition, a special law for utilizing water-friendly districts was made in December of last year to systematically manage and develop the areas around national streams whose environments have been innovatively improved due to the four rivers project, to prevent arbitrary development and to strengthen Korea's competitiveness, and is going to be implemented from April 30th of this year. To this end, K-water plans to promote distinctive and environment-friendly development in stages in line with regional characteristics, such as a multifunctional, self-sufficient, cultural, and tourism-oriented development.



Air view of Dalseongbo

**Current status of the project**

<b>Project period</b>	2009 ~ 2012
<b>Total costs</b>	8 trillion won
<b>Project details</b>	<ol style="list-style-type: none"> <li>1. Construction of multi-purpose dam: two places (Yeongju, Mt. Bohyeon)</li> <li>2. Flood control reservoir: two places (Damyang, Hwasun)</li> <li>3. Construction of weirs: 15 places</li> <li>4. Dredge: 329,000,000m<sup>3</sup></li> <li>5. Creation of ecological stream: 230.2km</li> <li>6. Reinforcement embankment: 58.3km</li> </ol>

\* Overall project progress ratio: 68% (as of 2011. 02)

**Annual investment plan** (Unit: trillion won)

<b>8.0</b>	<b>0.1</b>	<b>3.1</b>	<b>3.8</b>	<b>1.0</b>
Total cost	2009	2010	2011	2012

**Project effect**

1. Flood control capacity of 920 million m<sup>3</sup>, secured water of 1,300 million m<sup>3</sup>
2. Created healthy water and ecological systems by improving water quality and restoring streams
3. Jobs created: about 120,000
4. Production effect: about 1.4 billion won

**Plans to create water-friendly districts**

To promote distinctive and environment-friendly development by stages according to regional characteristics, such as \*a multifunctional, self-sufficient, \*\*cultural and tourism development

\* (Multifunctional and self-sufficient type): Self-sufficient cities with functions of residence, business, commerce, tourism and culture

\*\* (Cultural and tourism type): Countryside, cultural and tourism villages using natural scenery and regional tourist resources

Service to establish the basin plan to effectively use areas around the four rivers is underway.



- 01. Site for project to save the four rivers
- 02. President Kim visited the four rivers construction site (8.18)
- 03. Signed an agreement to secure technologies of Deltares, from the Netherlands (4.28)

# THE PIONEER

Water supply business | Multi-regional water works

## K-water will provide a high-quality customized water service to all with an integrated water management system that meets global standards

K-water has secured the capacity to supply 17,682,000m<sup>3</sup> of water per day, 47.1% of the capacity of the nationwide water supply facilities (as of 2009), and supplied 3,326,000,00m<sup>3</sup> of water, 179,000,000 m<sup>3</sup> more than in 2009, to 1,777 customers, including the nation's 111 local governments, in 2010.

K-water is particularly focused on projects to stabilize water facilities by improving old pipes, converting single pipes to double pipes, and building emergency connecting facilities in order to ensure that water can be supplied without difficulty during disasters or accidents. To satisfy the national demand for water, K-water has introduced highly functional water purification plants in the capital area and Nakdong River regions, and made efforts to improve water quality and reliability.

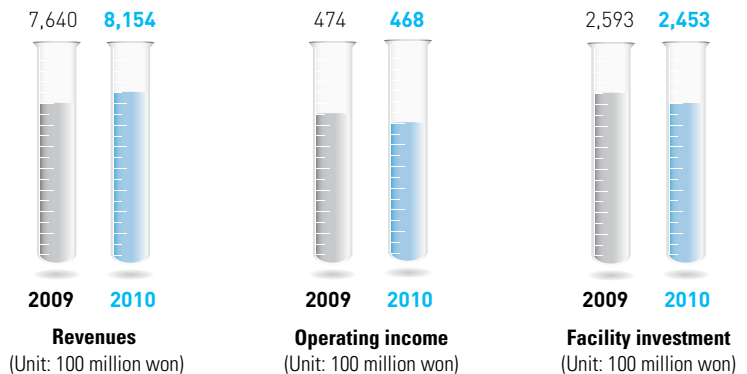
K-water has invested 245,300 million won to construct six metropolitan water supply facilities and three industrial water supply facilities, and to improve water systems in seven regions, including the capital area, in order to sufficiently supply water in areas suffering from water shortage. As of 2009, the water supply ratio of some rural areas was as low as

51%.

In addition, K-water is doing its best to manage water quality, in order to supply safe and high-quality water. To accomplish this, K-water has established a system to monitor water quality in real time, and is making a contribution to improvements in water quality by supporting the inspection of the water supply for local governments, as well as strictly inspecting water quality, based on the world's highest standard water quality inspection ability through its research center, which is equipped with advanced facilities and analysis equipment.



- 01. Front view of international water analysis center
- 02. Signed OEM contract for iwater software (8.20)
- 03. Front view of metropolitan water supply





Front view of water purification facilities

K-water is working to ensure that all Koreans can stably enjoy high-quality water by effectively managing water resources. K-water will continuously develop technologies, expand facilities and improve water quality, in order to ease the imbalance in water service among regions and to supply clean and delicious-tasting water.

# THE PIONEER

Water supply business | Local water works

## K-water will take responsibility for water supply services across the nation through the integrated management of regional water supplies

Korea has witnessed a serious imbalance in water supply services among local governments. Most regional governments lack the financial capacity to invest in improving or changing outdated facilities. Moreover, they can't secure expertise and technologies because of frequent position changes and poor working conditions.

K-water is now operating the water supply service of 18 local governments, starting with Nonsan in 2004 to Gwangju in Gyeonggi Province. As of the end of 2009, water leakage was reduced by 29,000,000m<sup>3</sup> annually under K-water's management, saving 33.2 billion won every year. Customer satisfaction increased by 13.8 points (64.0 points→77.8 points in 2010), showing that local residents are satisfied with their current services in terms of water quality, fees and handling of civil complaints.

Since 2009, provincial water supply services have gradually been transferred to integrated consignment from individual consignment by local governments, because the water supply services have numerous economic effects with its typical network service. The government has also set a policy direction of promoting the integration of local water supply services, and offered incentives to support integrated consignment.

As the first result of such efforts, K-water signed an agreement of integrated consignment with four local governments in South Gyeongsang Province, Geoje, Sacheon, Tongyeong and Goseong on Dec. 23, 2009.

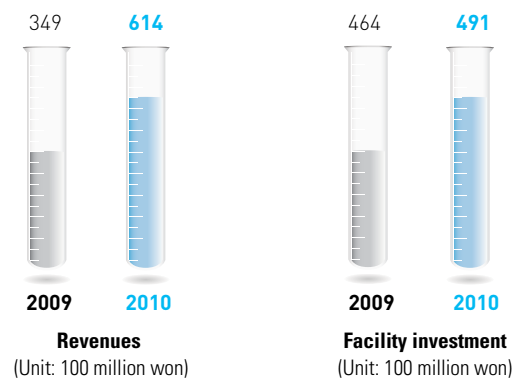
Consigned management of local water supply is a vital sector for preparing for climate change and leading green growth by sharply reducing water leakage, so K-water will actively and continuously push for the consigned management of regional water supplies.

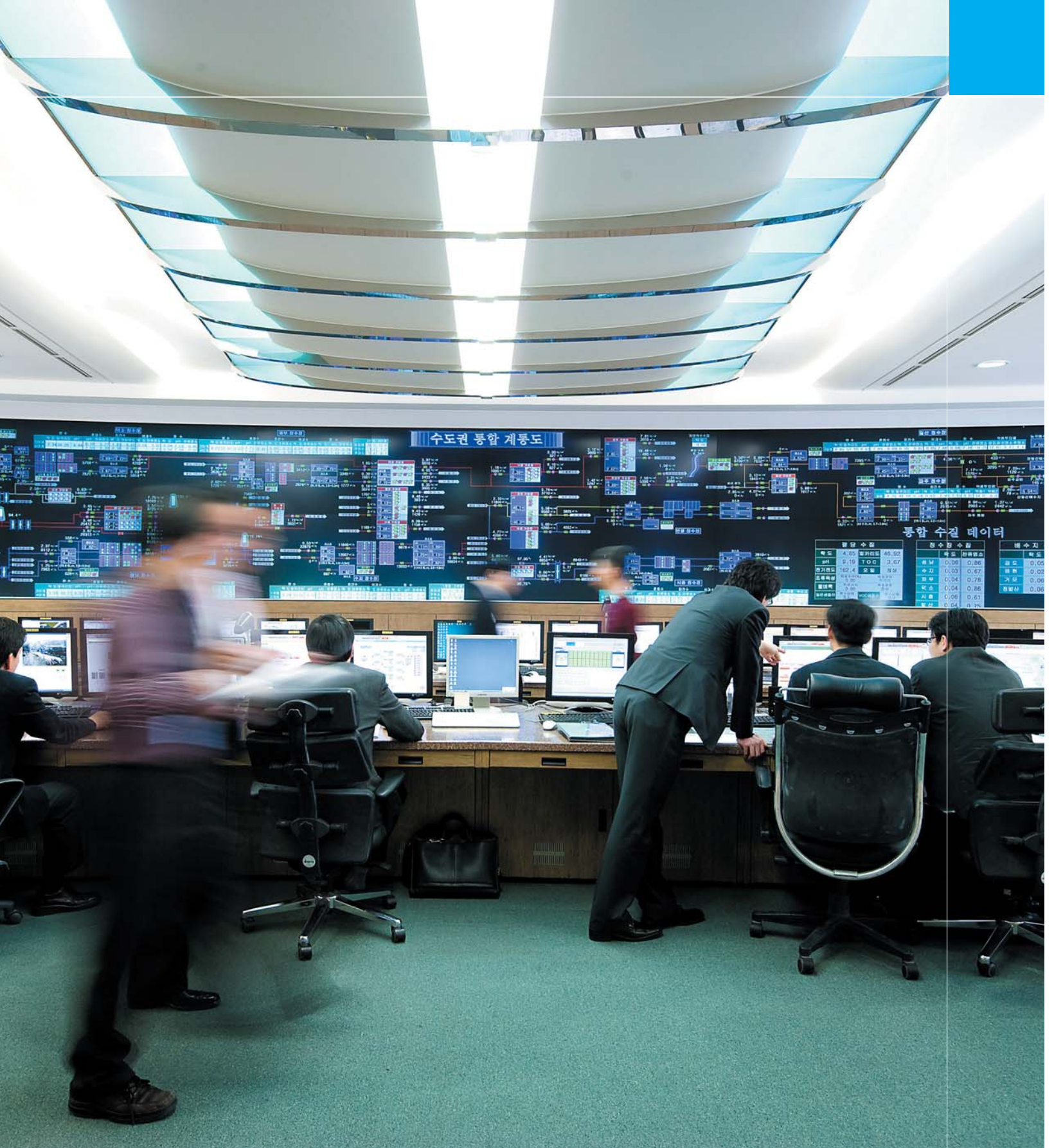
### Present condition of local water works under operation (as of January in 2011, 18 cities and guns)

- Nonsan, Jeongeup, Sacheon, Yecheon, Seosan, Cheonan (industry), Goryeong, Geumsan, Dongducheon, Geoje, Yangju, Naju, Danyang, Paju, Hampyeong, Gwangju (Gyeonggi Province), Goseong and Tongyeong



- 01. Opened a water supply service center in Goseong (10.19)
- 02. Opened a central control office in Paju water supply service center
- 03. Opened a water supply service center in Tongyeong (10.19)





Integrated operation center for the capital area

K-water has solved the problems of provincial water supply using its high expertise, technologies and experience, and is promoting projects to effectively operate local water supplies in order to stably and continuously supply high-quality water to residents.

# THE PIONEER

Water supply business | sewage treatment

## We have been improving the water environment by expanding the advanced technologies used to treat sewage

K-water is contributing to an improvement in the quality and environment of streams and water supply by efficiently treating the sewage generated in our daily lives. K-water has completed a total of 11 sewage plants since 2001, and operates and manages 18 facilities (249,000m<sup>3</sup> /day). Five facilities (98,000m<sup>3</sup> /day) are under construction.

K-water discovered that about 13.8 billion won was saved by improving the quality of treatment water and reducing manpower through the integrated operation management system of facilities built in Yongdam Dam and Jangheung Dam, which was established in 2005 to improve the quality of water resources. In addition, K-water expanded the existing integrated monitoring and control system to a comprehensive sewage information system that could share information and carry out decision making in 2007. As a result, the company is able to provide real-time information to operators and management, while improving job efficiency.

In addition, the Jangsu sewage treatment plant operated by K-water was selected as an excellent plant (IV group) in the assessment of the operation of sewage treatment facilities by the Ministry of Environment for two consecutive years starting in 2008.



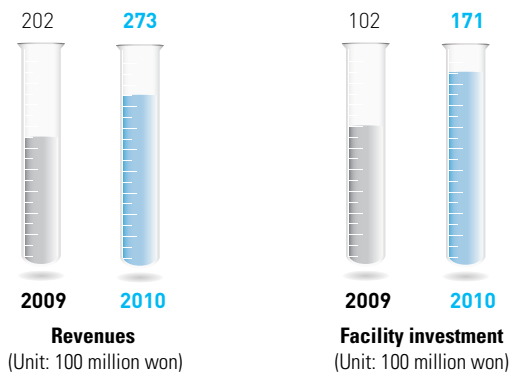
- 01. Busan Dongbu sewage treatment plant
- 02. Jangsu sewage treatment plant
- 03. Waegwan sewage treatment plant

K-water is leading the advancement of sewage treatment technologies using the Dr. Wastewater and PASSW programs developed by the corporation.

In this way, K-water has attempted to combine various up-to-date technologies to treat water and sewage based on its workforce and technologies, and is working to maximize the effects of projects by reusing water for treating sewage, integrating the management of water supply and sewage, and invigorating business related to sewage based on the differentiated advanced technologies it uses to treat waste water. K-water also has established a healthy business portfolio, and is pursuing the development of a Total Water Service System to conduct the integrated management of water resources-water supply - sewage.

### Present facility conditions

<b>Operation</b>	127 places, including Jinan sewage plant (18 sewage plants) 249,000m <sup>3</sup>
<b>Construction</b>	14 places, including Seocheon sewage plant (five sewage plants) 98,000m <sup>3</sup>







Waegwan sewage treatment plant

Based on its accumulated technologies and expertise in the area of water supply, K-water has integrated its basic environmental facilities in the upper region of the dams, to improve the quality of water sources and rivers and expanded areas to provide advanced sewage services. Through its optimized program, K-water is also leading Korea's efforts to advance sewage technologies.

# THE PIONEER

Green business | Site development

## K-water will continue its efforts to make Korea an affluent country by creating advanced multifunctional complexes and eco-friendly multifunctional cities

Korea Water Resources Corporation (K-water), which launched a project to create an industrial complex under the government policy to promote heavy chemical industries in 1974, has made national industrial complexes in Changwon, Onsan, Yeosu and Gumi. Since 1977, K-water has launched projects to develop Ansan and Sihwa to decentralize the population of the capital area. In 2010, K-water completed the complexes that were under construction, and recorded 169,800 million won in sales and 4,200 million won in net profit due to the proceeds from sold land and land use during this term.

As the first stage of a project to develop Sihwa district and the fourth stage of a project to develop Gumi industrial complex are in the finishing stage, K-water is going to complete these projects successively. In addition, the Yeosu expanded complex is under construction, with the target date for opening in 2012.

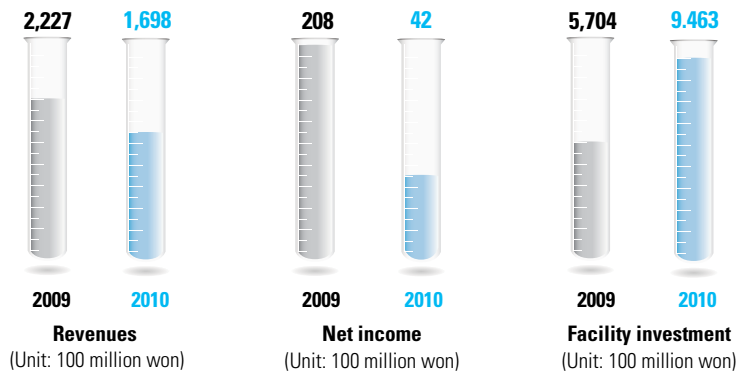
A project to develop Sihwa multi-techno valley to attract advanced industries was launched in the northern part of the tideland created after the Sihwa seawall was built in August 2007, to make an up-to-

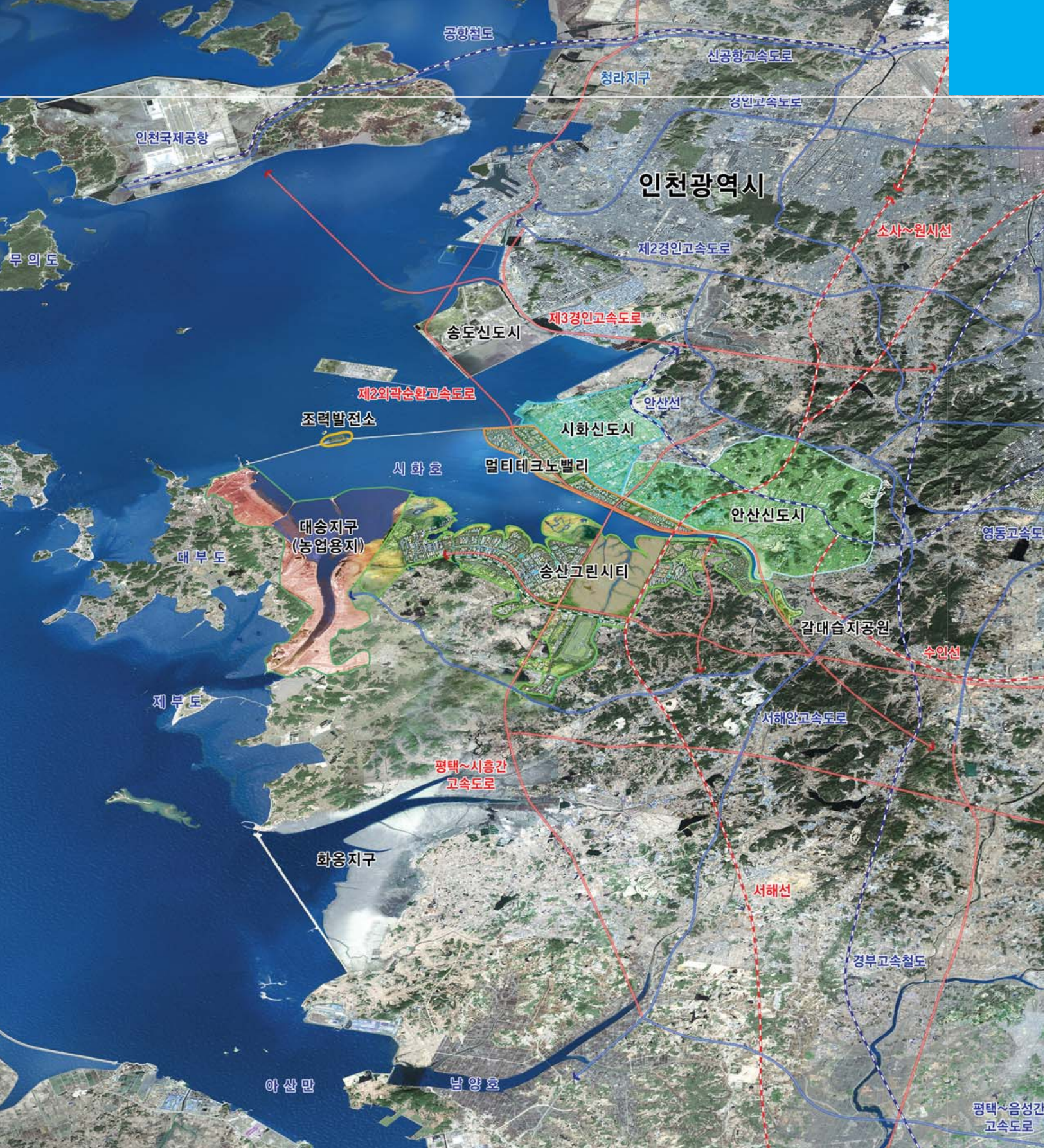
date multifunctional complex to lead future industries. In the southern part, a project to make an environment-friendly multifunctional city, or Songsan Green City, has been launched with the goal of starting construction in July of this year. In addition, there is a plan to build a free economic zone in Gumi to create a high-tech valley and attract foreign investments in preparation for new industrial land in Gumi area, in order to improve conditions of the Gumi national industrial complex, which has led the national economy.

In this way, K-water has been contributing to creation of an eco-friendly land, strengthened industrial competitiveness and an improved quality of life by preserving and utilizing the natural environment and supplying high-quality land at low costs.



- 01. USKR holds ceremony to announce business agreement (1.19)
- 02. President of K-water visits construction site of Songsan Green City
- 03. Aerial view of construction of Songsan Green City





A chart of complex development in the Sihwa district

K-water has created national industrial complexes since 1974 to strengthen the nation's competitiveness, and has made a contribution to the government's policy to decentralize the population of the capital area through projects to develop Ansan and Sihwa. In addition, K-water is playing an important role in making Korea an affluent country, as a leading participant in efforts to make advanced multifunctional complexes and eco-friendly multifunctional cities.

# THE PIONEER

Green business | Sihwa tidal power plant construction

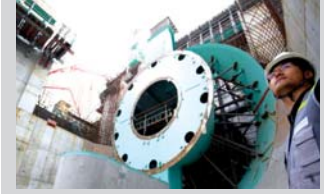
## K-water will contribute to improving the nation's self-supply ratio by developing pollution-free clean marine energy

After K-water began the construction of Sihwa tidal power plant in December of 2004, the company did its utmost to complete it, with the aim of starting power production in the first half of this year. The tidal power plant has 10 generators with a rated power of 25,400kW, and has a facility capacity of 254,000kW, more than that of the Rance plant in France, which generates 240,000kW of power, currently the largest in the world. The planned annual output of Sihwa plant is 55million kWh, which will be achieved by operating the plant twice a day for 4.4 hours each session.

When the Sihwa tidal power plant is complete, about half of the fresh water of the lake will be mixed with the Western Sea water, improving the water quality of the lake to a similar level to that of the open sea. As a result, fish and benthos will be flowed in to improve the microenvironment. Power generated by the tidal power plant will provide an annual oil substitution effect of 862,000 barrels, and can replace the imported value of oil worth 80 billion won worth of oil per year, compared with the requirements of a thermal power plant of the same capacity. Moreover, it is expected that carbon dioxide emissions, considered the main culprit of air

pollution, will be reduced.

There is a plan to create a tourist attraction in the vicinity of the tidal power plant that will be a place in which people can experience nature, as well as enjoy culture, art and various entertainment. If various facilities, such as an outdoor movie house, a plaza from which people can view the sunset and a bicycle rest area, are built, they will be able to attract many visitors. This plan to create a tourist attraction will create jobs and contribute to the development of the regional economy.



01. Sihwa tidal power plant construction site 1  
02. Sihwa tidal power plant construction site 2  
03. Sihwa tidal power plant construction site 3

### Current status of the project

<b>Project period</b>	2003-2011 (9 years)
<b>Total cost</b>	4,161 (100million won)
<b>Capacity of generation facilities</b>	254,000kW (water turbine 10), water supply gate: (15.3mx12m)
<b>Annual output</b>	552 million kWh (1.56 times the output of Soyang River Dam)
<b>Power generation type</b>	Single action tidal power (power generation using falling water during rising tide)

### Annual investment plan (Unit: 100million won)



### Project effect

<b>Power market sale</b>	42,000 million won a year (expected unit price: 75.86 won/kWh)
<b>CO2 discharge transaction</b>	7,000 million won a year (expected unit price: 15~18 euro/CO2 ton)



Aerial view of Sihwa tidal power plant

K-water is building Sihwa Lake tidal power plant near Sihwa seawall, the first of its kind in the nation and the largest of its kind in the world. The tidal power plant generates energy by flowing in sea water using the tides and difference in the water levels between the sea water during the rising tide and the water of Sihwa Lake, and sends water out toward the sea through gates during ebb tides.

## K-water will lead the nation's low-carbon green growth by developing new initiative renewable energy to cope with climate change

K-water is actively coping with the global crisis caused by climate change, and is trying to develop renewable energy using the government's lowcarbon green growth initiative as a stepping stone for development. K-water is operating a 1,019<sub>MW</sub> hydroelectric power plant with, a capacity to fulfill up to 63% of domestic hydroelectric power generating facilities (1,625<sub>MW</sub>) in 2010. This year, Sihwa tidal power plant, the world's largest tidal power plant (254<sub>MW</sub>), will start to generate commercial power and supply electric power. In addition, the Sihwa Bangameori wind power plant (1,500kW · 2 generators), the first wind power plant made by K-water, was completed in December of last year and is in operation, and small hydroelectric power plants with a total size of 53<sub>MW</sub> are under construction.

K-water supplied 1,938GWh of clean energy in 2010 using 42 hydroelectric, solar and wind power plants, reducing carbon dioxide emissions by about 1,040,000 tons.

K-water signed a second-round agreement (RPA) with the government to supply renewable energy. Under the contract, the corporation will invest a total of 371,700 million won in the development of new recycled energy with a total facility size of 320<sub>MW</sub>, including small hydroelectric power, wind power and solar energy, over a three-year period starting in 2009.

As K-water jointly developed a cooling and heating system using the temperature difference at Lotte World II in Jamsil (under construction), the company is actively working to find renewable energy using water. K-water is also active in reducing greenhouse gas emissions by improving the efficiency of dam and water supply facilities by through improving the efficiency of pumps and modernizing old hydroelectric power generating facilities to increase their capacities.

K-water has worked to reduce greenhouse gas emission by developing new recycled energy as a CDM project, actively addressing the issue of climate change. In a first for a state-funded company, K-water launched a CDM project in May of 2005 and registered a total of six cases, including Seongdeok and Buhang small hydroelectric power plants, to the UNFCCC by December of last year, the largest number of cases registered by any entity in the nation. Recently, K-water has been making efforts to register new CDM projects to the UNFCCC, such as energy efficiency improvements in Angye and Hoengseong small hydroelectric power plants and water supply facilities.

In September of 2008, in the first unilateral CDM project in the nation, K-water sold the CDM project emission credit(6,782 CERs) about 2007 greenhouse gas reduction performance of small hydroelectric power I service to ABN-AMRO bank of the Netherlands and made a profit. K-water also sold certified emission credit (8,608 CERs in 2009 and 8,080 CERs in 2010) to Korea Carbon Finance in 2009 and 2010, and accumulated knowledge and experience related to the domestic CER business.

### Production of clean and green energy and carbon reduction from the four rivers project

Up to 50,786kW of hydroelectric power can be secured by connecting 16 reservoirs with the project that is designed to save the four rivers. Up to 271,710,000kW in green energy will be generated every year to replace 450,000 barrels of oil and reduce carbon dioxide emissions by 150,000 tons annually, making a great contribution to reducing Korea's greenhouse gas emissions by the amount of energy used by 58,000 households (four persons a household) every year.

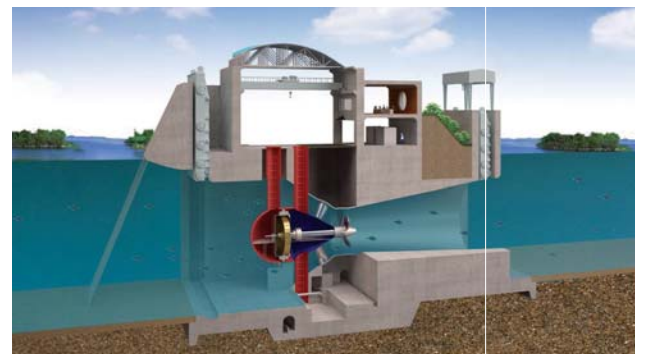


- 01. Climate change green growth international conference (7.1)
- 02. Seokseong solar energy
- 03. Coping with climate change - inventory certificate



Current status of developing and operating new recycled energy (2010-12)

	Division	Current status of operation and development	Notes
Hydroelectric power	Large hydroelectric power	10 sites in operation, including Soyang River Dam	Facility capacity 1,000.6 MW
	Small hydroelectric power	23 sites in operation, including Andong small hydroelectric power plant; 21 sites under construction, including Hoengseong Dam and reservoirs connecting four rivers	Facility capacity 71.0 MW
	Tidal power	Sihwa tidal power plant (the largest in the world) under construction	Facility capacity 254 MW
	Wind power	Sihwa Bangameori wind power plant under operation	Facility capacity 3 MW
	Solar power	8 sites in operation, including Bonpo solar power plant	Facility capacity 579 kW
	Temperatural difference cooling heating	6 sites in operation, including Daecheong Dam	Facility capacity 275 RT



Aerial view of four-river small hydroelectric power plants

K-water is leading low-carbon green growth as the nation's Green Hub by developing new recycled energy to cope with climate change, creating the Gyeongin Ara Waterway and saving the four rivers.

# THE PIONEER

Green business | Gyeongin Ara Waterway project



K-water will be reborn as an international organization to lead the eco-friendly movement and green growth and to improve quality of life

**The Gyeongin Ara Waterway:** will contribute to green growth by generating various synergies in cultures, tourism and leisure by reducing logistics costs and easing transportation problems.

Since 2009, K-water has been building a canal (length: 18km, width 80km, depth 6.3m) from Seo-gu, Incheon (the Yellow Sea) to Gangseo-gu, Seoul (the Han river). The Gyeongin Ara Waterway can be used as a tailrace to minimize chronic flood damages to the basin of the Gulpo River. The waterway can also be used by highly energy-efficient ships with import and export goods heading for the inland of the capital area, thus relieving traffic congestion, while reducing transportation costs and environmental pollution.

The construction of the waterway is expected to generate production worth 3 trillion won and create 26,000 jobs, invigorating the regional economy. An ecological park, bicycle road and marine facilities will be created to provide a space that local residents can enjoy. By linking to the Incheon Free Economic Zone (Yeongjong, Cheongna and Songdo) and 2014 Asian Games, the vicinity of the waterway can be used for tourism and marine sports, and is expected to improve quality of life.

A new water-friendly space of the Metropolitan area that will be created along the waterway will produce synergies with the Han River Renaissance project designed by Seoul, helping the area to be reborn as an international tourist attraction visited by people from around the world.





An integrated aerial view of Gyeongin Ara Waterway

**Current status of the project**

<b>Project period</b>	2009~2011
<b>Total cost</b>	22,458 (100million won)
<b>Main transportation way</b>	Canal 18km (width 80m, water depth 6.3m, tailrace 14.2km included)
<b>Terminals</b>	[Incheon] 2,450,000m <sup>2</sup> , lock 2 [Gimpo] 1,700,000m <sup>2</sup> , lock 1 1. (Target ship) Incheon T (650TEU), Gimpo T (250TEU) 2. (Freight cargoes) Container, iron, automobile, sea sand, passenger
<b>Bridges and subsidiary facilities</b>	1. A total of 13 sites, including environmental bridges: k-water 9 places(1 tailrace included), four other institutions 2. Created Water front

Planned to start operation in October of 2011 - Establish overseas transportation networks in China and Southeast Asia, and explore marine tourist routes

**Annual investment plan** (Unit: 100 million won)



**Project effect**

**To prevent floods and effectively manage of the water resource**

To prevent floods in the basin of Gulpo River, a conventional flood area, together with tailrace

**To reduce logistics costs, ease transportation problems and contribute to green growth**

1. To share the functions of Incheon Port
2. To absorb freight cargo using Gyeongbu Expressway and ease inland traffic
3. To make a contribution to low-carbon green growth

**To promote the invigoration of the regional economy**

1. Production generation of about 3 trillion won
2. Creation of about 26,000 jobs

- 01. Construction site for Gyeongin Ara Waterway:
- 02. Aerial view of Gyeongin Ara Waterway: Gimpo Terminal
- 03. Construction site for Gyeongin Ara Waterway: Incheon Terminal



# THE PIONEER

## Overseas business

K-water is establishing new growth engines by advancing into overseas water markets using the technologies it has accumulated over time to operate and manage dams and water supply.

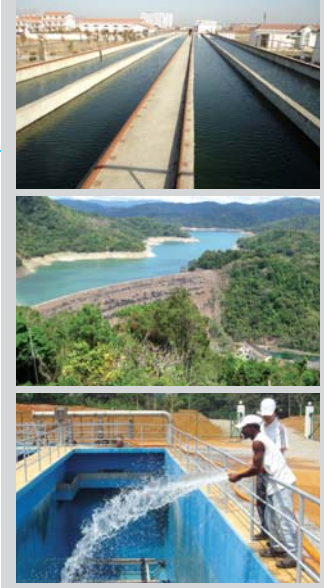
As the global economy has rapidly been opening and accelerating, the world's water markets are becoming the blue gold industry of the 21st century, and their size is expected to grow to about 500 trillion won by 2015. In the past, the water markets had been dominated by the top five companies, but with the expansion of new markets, an increasing number of professional companies are now joining the field. As a result, competition among global water firms is intensifying. In this environment, K-water is trying to secure a new growth engine as a global leader of the world water markets based on the technologies and experience it has accumulated over the past 40 years, and is taking the initiative in generating win-win national wealth by advancing into markets together with private companies.

K-water investigated the area around the Bunha River in China in 1994 to lay the foundation for doing business on the international stage through ODA services until 2004. The corporation completed 30 projects in 18 countries by diversifying its overseas projects in 2005 and expanding its business to technology export and investment. In 2009, K-water successfully developed Patrind hydroelectric power business in Pakistan, its first investment business, and is now executing 14 projects in 12 nations,

including three investment cases.

In October of last year, K-water established a master plan for overseas projects in order to seriously launch overseas investment cases, and is concentrating its capacity on accomplishing its 'World Major 3 in 2019' goal based on the plan. K-water selected 16 strategic countries out of 146 nations through an in-depth analysis of water markets by region and by country, and is doing its utmost to secure new growth engines through choice and concentration by establishing major projects to build specialization strategies and business foundations considering the conditions of each country.

Based on the water resource-related technologies and expertise it has accumulated over four decades, K-water will grow into a global leader of the water markets by cultivating overseas projects, an axis of future growth engines.

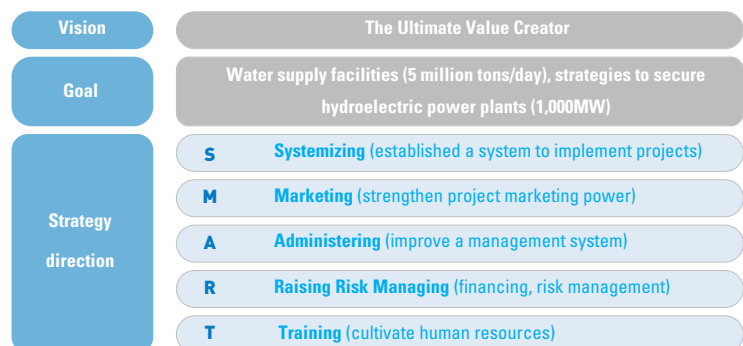


01. Regional water supply facilities in Jiangsu, China  
 02. Angat Dam in the Philippines  
 03. Operation of water supply in Equatorial Guinea

### Overseas project regions and project size

Ongoing projects	14 projects in 12 countries	8,775 (100million won)
Completed projects	30 projects in 18 countries	357 (100million won)

### Strategies to push for overseas projects





A project for the final design of the Krang Ponley River in Cambodia

As the global economy has rapidly been opening and accelerating, the world's water markets are becoming the blue gold industry of the 21st century, and their size is expected to grow to about 500 trillion won by 2015. In the past, the water markets had been dominated by the top five companies, but with the expansion of new markets, an increasing number of professional companies are now joining the field. As a result, competition among global water firms is intensifying. In this environment, K-water is trying to secure a new growth engine as a global leader of the world water markets based on the technologies and experience it has accumulated over about 40 years, and is taking the initiative in generating win-win national wealth by advancing into markets together with private companies.



## **An innovative leader for the people**

With the goal of providing better  
service, K-water endlessly cultivates itself.

# THE INNOVATOR



# Emotion for Human

K-water will become one of the most trusted service companies through creative CS management

To actively deal with the increasing national demand for high quality water services and interior and exterior environmental changes, K-water has systematically organized its customer satisfaction strategies and pursued service brands. To differentiate services and secure competitiveness, K-water has established the CS vision, 'K-water is working to enrich customers' lives, and the customer values of 'peace, safety, one step faster and trust' based on enterprise-wide participation and sympathy.



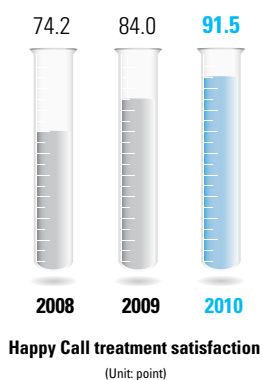
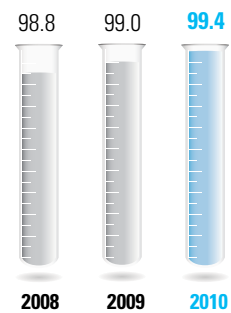
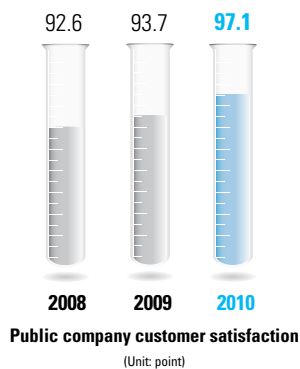
Won 'National Sinmungo Award' (2.26)



Ceremony to begin support of the four-river project (7.5)



Ceremony to appoint K-water ombudsman (8.3)



### The highest level of CS management among public companies •

By pursuing its three strategic directions of CS management, 'development of the CS system, systematic organization of customer needs management and strengthening of the service quality', K-water has promoted nine strategic and 42 action projects, including one to enhance the efficiency of customer-centered processes. This has dramatically improved inside and outside service processes as a result, and has tried to increase customer loyalty by preventing customer complaints.

K-water became the first SOC public company to make a brand for Service Identity in order to effectively convey its own customer satisfaction characteristics and stress its superior aspects compared to rival institutions, such as local governments. K-water's service identity, 'Water-Pro' represents its will to provide proactive and professional services, and the company is utilizing the brand for various promotional items, including uniforms for its workers, business cards and placards, to display CS activities.

In the meantime, K-water has introduced a service quality indicator (SQI), an advanced service evaluation system connecting with the CS strategy action to minimize customer complaints by intensively managing core service quality, preventing faults in all service processes and improving service quality. K-water has also established a service monitoring method and a comprehensive quality management system via a data measurement method by operating six core indicators, such as the complaint VOC occurrence ratio and civil complaint handling deadline observation ratio.

This is why K-water received the highest grade in a public company customer satisfaction survey of the Ministry of Strategy and Finance for four consecutive years. K-water became the first public company to win the 'National Sinmungo Award' and received the highest grade among public firms after their handling of civil complaints were checked under the supervision of the Ministry of Land, Transport and Maritime Affairs. The company was selected as an excellent organization in terms of providing access to information. In this way, K-water has been recognized for its high-level CS management.

### Enhancement of national understanding of the four-river restoration project •

K-water has worked to enhance public awareness and confidence in the four rivers project. In an effort to improve public awareness of the project and reinforce regional governance, K-water has held win-win conferences about VOC, demanding two-way communication channels. The corporation has also collected opinions from provincial communities by holding meetings with local residents, and successfully pushed for various projects. To promote the project, the corporation has operated supporter groups (55 teams, 199 persons) consisting of experts on waterside ecology and college students, and demonstrated press activities using news stories and press conferences and contributions to newspapers.

### Establishment of the K-water ombudsman system •

K-water became the first water supplier in the nation to develop a CS manual to secure water supply expertise for its customer centers, thus improving the performance of its employees and impressing customers, and established K-water's ombudsman system to reduce civil complaints. K-water also operates a mobile (smart phone) information service, expanded the use of e-mail and SMS notifications, and introduced a change of address service. In this way, K-water has operated advanced IT-based service systems.

# Green K-water, Green Growth

As an eco-friendly company, K-water will strengthen the foundation of global green management

K-water has worked to minimize potential management risks and generate new green values by continuously improving its environmental performance through operating and internalizing diverse green management programs.



Ceremony of agreement for smaller company green partners (11.8)

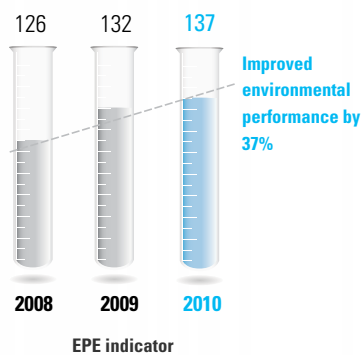


Finished educational program to cultivate ISO certificate judges (3.29)

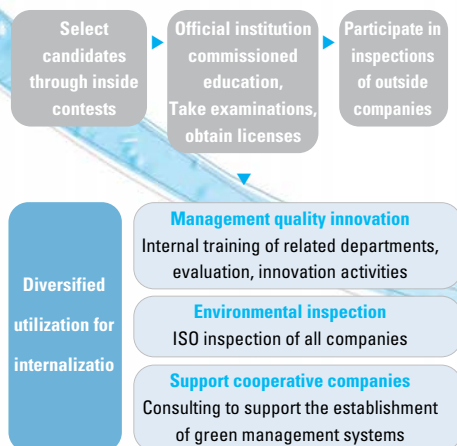


Climate Change Green Growth Asia-Pacific Conference (7.1)





**Cultivate ISO certificate judges**



**Establishment of an eco-friendly management system •**

K-water has declared the environmental management is a priority both domestically and abroad by continuously pursuing eco-friendly management, and transitioned itself to incorporate a management system the harmonize the economy and environment starting in 2002. K-water has established an environment performance evaluation (EPE) system to systematically manage environmental effects and the performance of environmental management caused by management activities using set EPE indicators to continuously improve performance and managed these as strategic action tasks (BSC). The EPE indicators show that environmental performance rose by more 37% from 2006 to 2010.

**Invigoration of eco-friendly open communication •**

Under its environmental management policy, K-water manages risks in advance to a level that surpasses its legal environmental performance requirements, and has developed ways to generate new environmental values, such as clean development mechanisms(CDM) and certified emission reduction (CER) trading. To transparently provide information, K-water has invigorated eco-friendly open communication by understanding the GRI criteria completely and strengthening communication by implementing detailed evaluations to grasp the concerns of interested parties.

**Cultivation of environmental management consultants •**

K-water has been cultivating internally approved ISO judges since 2007. These judges execute an internal ISO evaluation of the construction offices each year, and work as environmental management consultants for cooperative companies. As of 2010, K-water has 67 professionally certified judges and they contribute to the advancement the corporations work methods through internal inspections.

**A national green management leader •**

K-water has provided diverse environmental management programs to its cooperative companies that lack human resources, information and infrastructure, enabling these companies to establish eco-friendly supply networks and to help them grow into eco-friendly firms. To do this, K-water has educated them about environmental management to reach ISO14001 certification, and is assisting them with certificate inspections, costs, and follow-up expenses. Since 2008, K-water has strengthened this assistance by voluntarily establishing environmental management systems and operating clean production mechanism establishment programs by supporting the environmental management programs of nine cooperative firms.

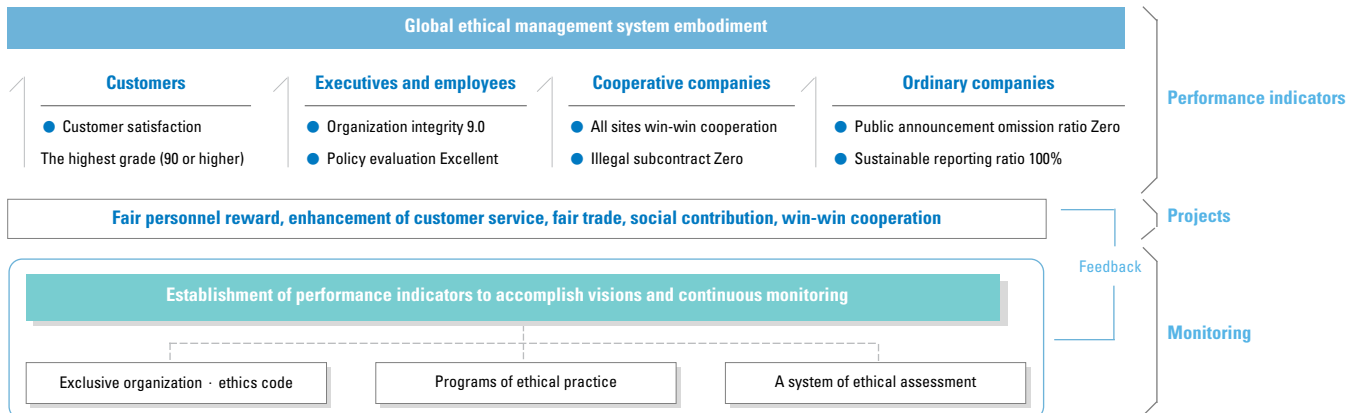
Since preparing a master plan to cope with climate change, K-water has established an inventory system to manage carbon emissions, and built a low-carbon eco-friendly infrastructure by expanding carbon footprint label certificate filtration plants, in order to shift to a carbon management mechanism. In addition, K-water is going to accelerate its efforts to manage the water quality of reservoirs, manage the surrounding areas, create eco-friendly spaces around dams, and strengthen its environmental responsibilities by securing the environmental soundness of new green deal projects such as the four rivers project and Gyeongin Ara Waterway project. To lead green growth, K-water will strengthen the foundation of global green management by adopting the green management mechanism certificate promoted by the government, and will lead the nation's green management.

# Clean K-water



K-water will become a clean company producing clean water

K-water is a company that stresses strong individual ethics and corporate ethics. K-water is gaining the trust of stakeholders by securing a global standard of transparency, like pure and clean water.





A pledge to practice integrity ethics (8.31)



Promotion of ethics for college students (7.28)



Lee Jae-oh, chairman of Anti-Corruption and Civil Rights Commission, visited and provided ethics education (6.11)

### Certified as an excellent organization for five consecutive years in evaluation of anti-corruption policies •

K-water is actively practicing ethical management, with the conviction that this is the most basic and powerful source of its competitiveness. In 2009, K-water re-established its core values to accomplish its vision, and took a powerful step toward becoming a global ethical enterprise that uses corporate ethics as its highest value for management activities. K-water has been operating an Ethics Commission, which determines its policies to strengthen ethical regulations and push for ethical management. The efforts of K-water's executives and employees to advance the ethical system have led to favorable results, and the company was certified as an excellent organization for five consecutive years in the evaluation of anti-corruption policies by the Anti-Corruption and Civil Rights Commission.

### Stakeholder-centered realization of corporate ethics •

K-water has defined its ethical management as management activities undertaken to get trust from stakeholders, carrying out diverse activities on this basis, and implementing feedback through the regular monitoring of performance indicators. With regard to its customers, K-water has reformed various regulations to eliminate violations of customer rights and inconveniences, and is improving corporate transparency through customer participation during projects implementation. With regard to its executives and employees, K-water has been trying to reduce the industrial accident rate by providing practical ethical education, conducting socially fair personnel management, and systematically preventing disasters at work sites.

With regard to its cooperative companies, K-water has maintained sustainable partnerships through operating win-win conferences to promote shared growth with those companies, as well as jointly monitoring contract procedures. In addition, K-water is expanding its global level low-carbon green growth projects to realize social interests as a public company, and is doing its best to implement a global standard of social responsibility by pursuing strategic activities serving Korea and the international community in connection with its projects.



## United Nations Global Compact

### 10 UN Global Compact Principles

**The UN Global Compact's ten principles are derived from:**

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention against Corruption

**The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption:**

**1. Human Rights**

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

**2. Labour Standards**

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

**3. Environment**

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

**4. Anti-Corruption**

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

**K-water observes and implements the UN Global Compact's ten principles**

K-water CEO *Kwon Ho Lim*



## THE INNOVATOR

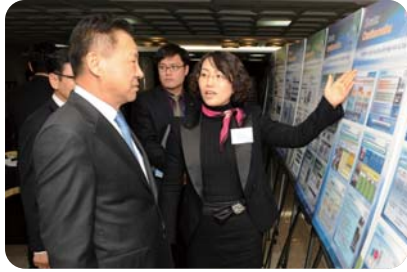
Management innovation

K-water is raising customer values through continuous creative and innovative activities

K-water is promoting continuous creative innovation activities to accomplish its vision of becoming the best water service company. K-water is making efforts to adopt the scientific and systematic working methods of global enterprises to increase work efficiency and to provide the highest-quality service to its customers through technological innovation.



Won the Asian MAKE Award, the world's most prestigious award in the field of knowledge (10.13)



2010 Creative innovation contest (11.30)



Six-sigma workshop (5.14)

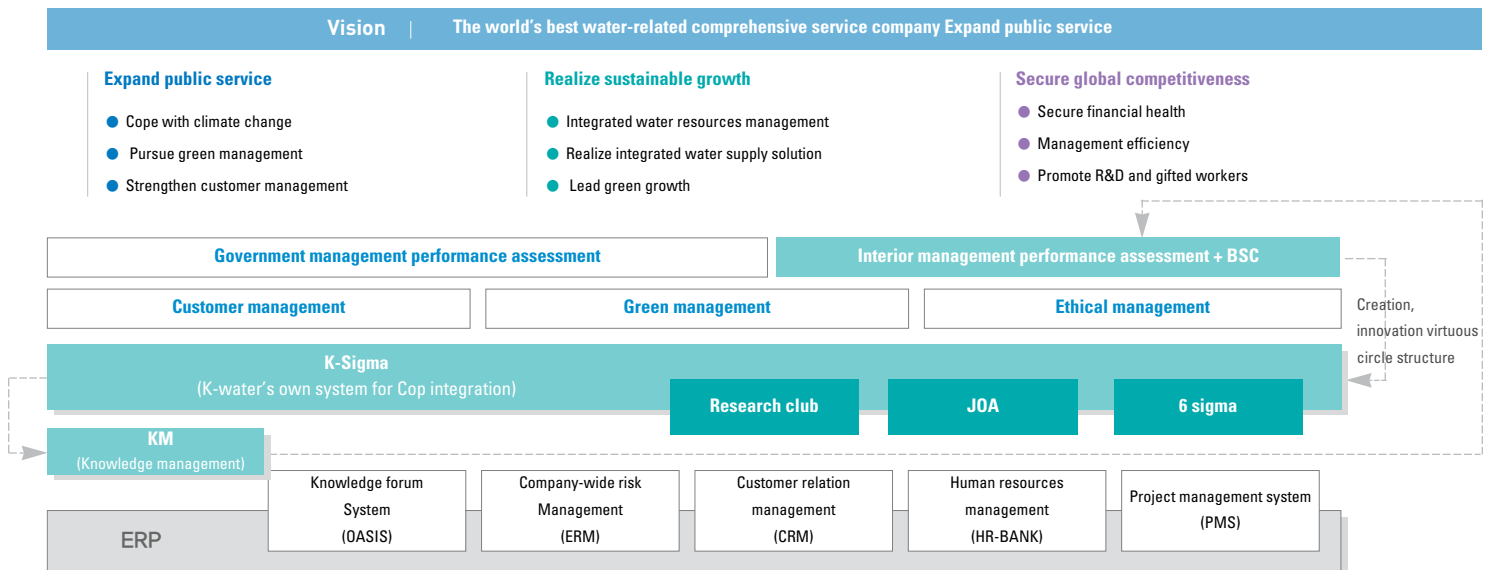
### Acquired the highest grade in government's evaluation of innovation •

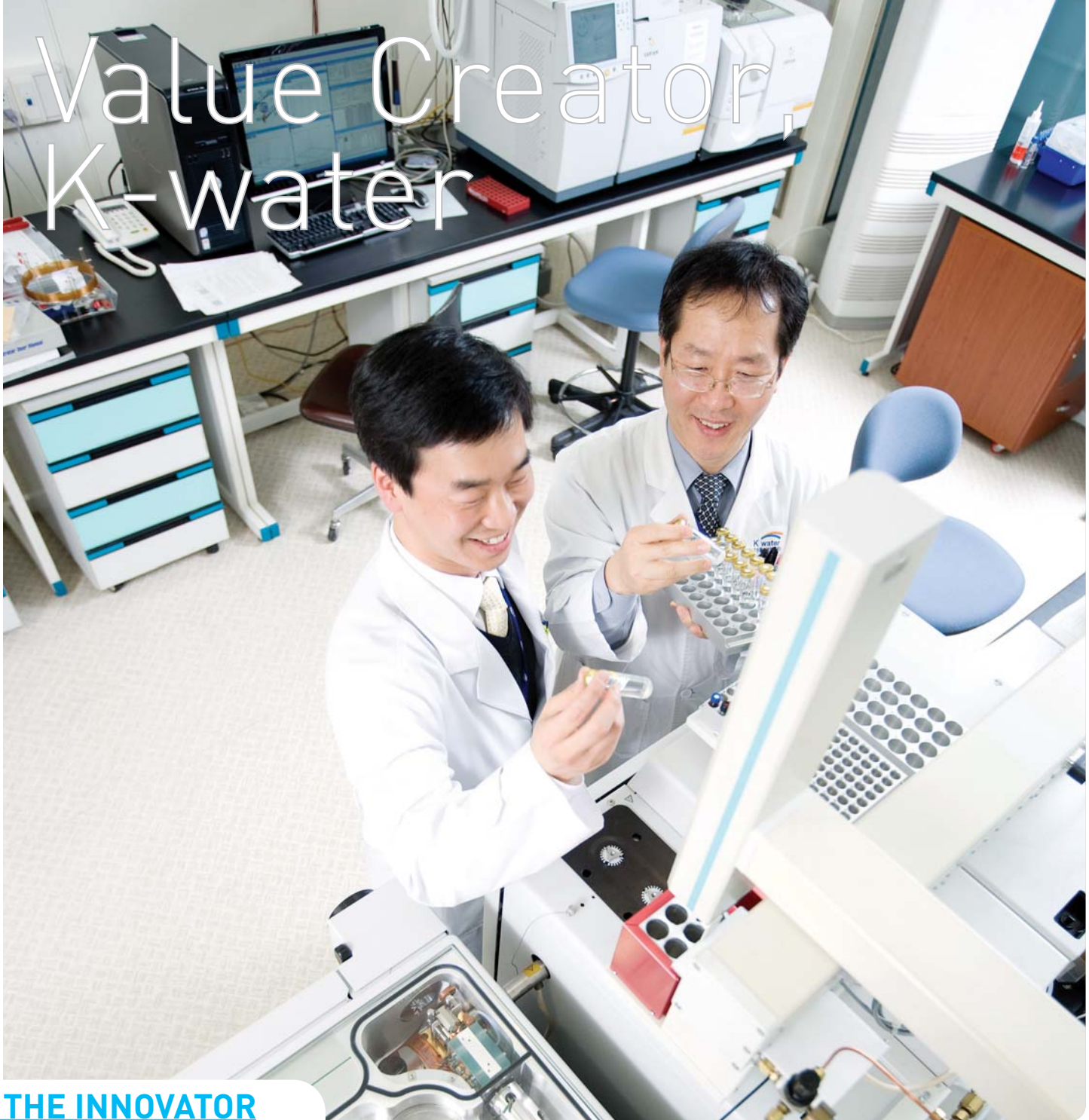
K-water has been adopting various innovative techniques since 2006 to prepare for the globalizing corporate environment and to strengthen its competitiveness. Key roles in innovative activities for K-water are played by JOA (Join Open Advance), a workout technique that GE has applied to and developed into, study clubs for sharing task knowledge and Six-Sigma technique where problems in construction necessary to improve are found from a point of customer's view and solved scientifically and statistically. These innovative ways have fixed application scopes depending on the nature of the tasks. A voluntary team of K-water workers, the Community of Practice, has achieved favorable results and reduced costs and improved customer satisfaction by naturally applying those innovative ways in work. As these procedures used to generate performance have been systematized, k-sigma, which is an innovative system of K-water, was formed and internalized in the working methods of its workers. Through such activities, K-water received the highest grade in evaluation of the innovation of public companies, and won a prize given to Asian firms conducting knowledge management for three consecutive years, a first for a Korean public sector company.

### To strengthen the core capacity through knowledge management •

K-water has adopted the web 2.0 technology based on opening, sharing and participation among its employees to achieve two-way knowledge sharing, and has enhanced the efficiency of knowledge management. K-water is actively supporting communication among its workers, information sharing and voluntary study groups through blogs by individuals and research clubs. K-water is also promoting the spread and regeneration of knowledge via free opinion exchanges through the knowledge management system (KMS). In addition, the corporation established a Wiki-type working manual management system and raised the use of about 110 core working manuals. As a result of these efforts, K-water was selected by Teleos of England as the most respected knowledge management company, and received the Asian MAKE (Most Admired Knowledge Enterprises) Award, the world's most prestigious award in the field of knowledge, for three consecutive years from 2008.

A chart of the relationships between creative innovation activities and K-water' management activities



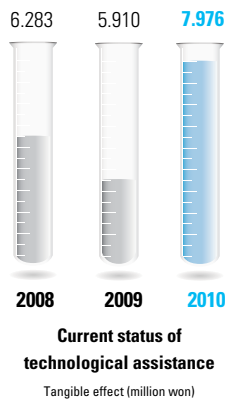
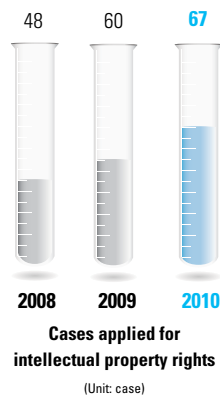
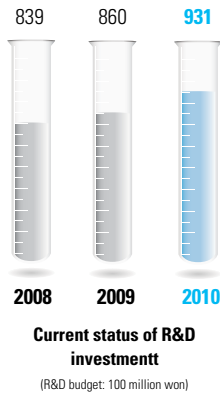


## THE INNOVATOR

Reserch and development (R&D)

## Value Creator, K-water Blue Gold K-water will lead the future of the water industry

Korea Water Resources Corporation (K-water) has established a comprehensive plan for technological innovation (Core Tech 1080) to lead the water industry, which has become a Blue Gold Market, and selected 10 core capacities and 80 core technological tasks to be pursued until 2013. K-water has also been pushing for open technological innovation (projects to support core parts of the water industry and technological innovation of medium and small companies) every year to realize sustainable R&D.



**K-water has established a comprehensive plan for technological innovation. ●**

Since K-water established a comprehensive plan for technological innovation (Core Tech 1080), the corporation has committed to invest up to 108 billion won in 10 core capacities and 80 core technological tasks until 2013, so that it can leap forward to become a water service company that reaches global standards.

To do this, the corporation has invested 7.6% (93.1 billion won) of its sales to secure world-class technologies, in order to acquire future growth engines, cope with climate change and produce new recycled energy. In addition, K-water has a research institute consisting of 207 experts. About 70% of its researchers hold master's or doctoral degrees. K-water is pursuing the effective and scientific water management, and is securing core technologies, with 414 cases of intellectual property rights (including patents and utility model rights). K-water developed a boat that fundamentally eliminates the occurrence of algal bloom, and received the National Green Tech Award in 2010.

**K-water leads the technologies of core parts of the water industry. ●**

As part of its commitment to open technological innovation, K-water has continuously pursued projects to support small and medium-sized firms, and to support R&D costs for the water industry. K-water has also been accelerating its efforts to achieve technological innovation by securing core technologies and pushing core tasks in connection with its strategies in order to be a technological leader for core parts of the industry.

**K-water has formed a research infrastructure and technological cooperation networks. ●**

K-water has formed a research infrastructure, including Korea's largest caliber oil gauge correction center (800mm), an internationally approved water level gauge correction system, and a research center to analyze water quality that has been assessed as the best in its class. K-water has also established cooperative systems by organizing technological cooperative networks with 51 domestic and international water-related institutions, provincial governments, research centers and colleges, including the World Water Council (WWC) for Global R&D Network.



Presentation of research performance in 2010 (12.9)



Water supply and drainage education center



Received National Green Tech Award (12.6)



# People for Innovation

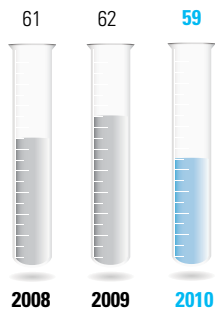
## THE INNOVATOR

### Human Resources

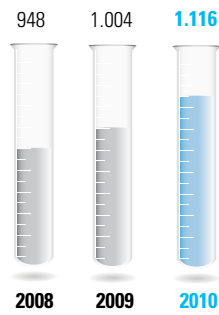
People are the key to  
happy future  
management

To secure excellent human resources, K-water has abolished hiring policies based on age and school career, and developed KACT to assess individual capacities in a customized way. The corporation has systematically and strategically managed its human resources by finding gifted individuals that satisfy the images and core values required by the corporation. K-water is trying to realize the advancement of personnel management by establishing a human resources operation system based on individual capacity and performance, and is laying the foundation for continuous growth by systematically cultivating gifted individuals with its ERP-based HR-bank and CRP system.

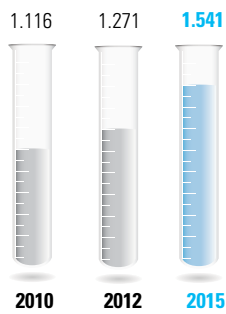




**Education time per employee**  
(Unit: hours)



**Experts owned by K-water**  
(Unit: persons)



**Plans to cultivate experts**  
(Unit: persons)

### Systematically develop human resources •

The first steps of human resources management are to select talented individuals and to systematically and continuously cultivate them. To achieve this, K-water has selected excellent individuals with high potential, and has operated various educational programs to help all of its workers choose their career paths and improve their expertises. In this way, K-water has systematically developed its human resources.

### Discover talented individuals through open employment •

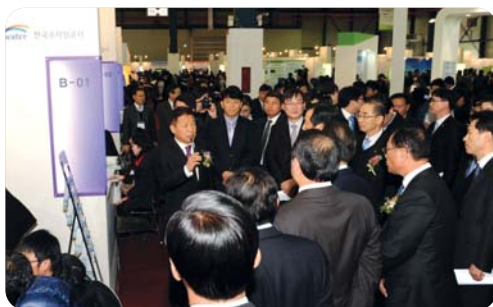
To find talented able individuals, K-water has selected workers based on ability only, based on a principle of 'open employment' by abolishing limitations such as age and the school attended. The corporation is taking the initiative in discovering excellent individuals that satisfy the images and core values required by the company using KACT (K-water Aptitude & Competency Test), which is designed to assess an individuals capacity, and by actively hiring and utilizing female workers through a system encouraging the employment of women.

### Integrate ERP-based human resources management •

To systematically foster human resources, K-water has invested in strengthening the capacity of its members by providing educational courses in stages based on the CRP system, for which the corporation acquired the Business Model (BM) patent. These courses include a short-term course for strengthening individual capacities, and another for fostering experts. K-water received the presidential award for its efforts to develop human resources with the ERP-based HR-Bank and CRP system in 2010, a first for a public company.

In addition, K-water has established diverse systems to manage human resources according to their abilities and performance, and has realized advanced human resources management by materializing 'profile match-up' to select the most suitable candidate for each position.

Up to about 27%, or 1,116, of all K-water employees can be considered 'experts' (holders of master's degrees, doctoral degrees or professional technical qualifications), and the corporation will continuously strengthen its foundations for growth through programs to systematically cultivate human resources. K-water's efforts to realize 'Global Best on 3Water' to become a global water service company begin with the systematic management of its human resources and an advanced system to cultivate talented persons.



K-water job fair (12.22)



Education for new workers for 2010 (7.6)



Received the presidential award at the 36th National Quality Management Contest for human resources development (11.23)



# Love for Human

## THE INNOVATOR

Social contribution

A happy society achieved through sharing and sympathy

K-water has set its own vision for social contribution activities, with three values, five core areas and strategic directions to accomplish its mission of making a happier world with water. The company has also pushed for strategic social contribution activities through selection and concentration to achieve sustainable development and implement social responsibility. In particular, K-water's social contribution activities have made a great contribution to the development of the nation and regional communities by selecting core programs that make the best use of the characteristics of the company, expanding its activities to the environment including water and rivers and joining in the settlement of environmental problems.



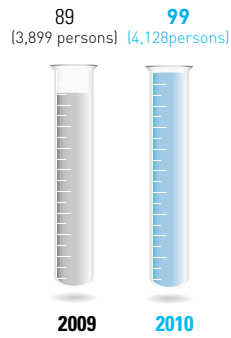
Support native English instructors for students in areas near dams



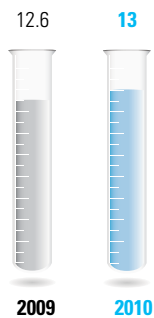
Voluntary activities to help neighbors



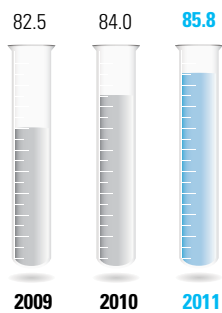
Build water supply facilities in Laos



**Association for sharing love for water**  
Number of active circles and participants



**Time per person taking part in activities of the association for sharing love for water**  
(Unit: hour)



**Social contribution activity index**

### To make cleaner water and a blue Earth •

K-water has supported residents of small cities, districts and islands with poor water facilities by providing facilities to make fresh water using sea water. The corporation has launched projects to create cultural spaces by arranging the area and building cultural halls related to water around dams in order to help local residents enjoy cultural benefits. In addition, K-water has sponsored concerts and regional cultural events to energize the local economies around dams. K-water has continuously pursued programs to prevent the pollution of underground water, to supply environmental water to improve the environment of rivers, to arrange rivers, and to protect the ecology around dams.

### A world where we can live together •

K-water has promoted balanced development and improved welfare in dam areas suffering from a lack of welfare facilities and inconvenience because they are located far from large cities.

To improve the welfare of the aged in dam areas, K-water provides services by operating a welfare center designed to encourage a greater sense of filial duty among the youth. The corporation also provides a service for local people to find helpers to take care of sick persons or do housekeeping. K-water is trying to protect water quality, increase the incomes of local residents and invigorate regional economies by creating eco-friendly farming complexes around dams. In order to improve the health of residents of areas around dams that are suffering from poor medical service compared with urban residents, K-water signed a contract with the Korean Open Doctors Society in 2009, and provides medical care for the underprivileged, such as people aged 65 or older and the disabled. In 2010, K-water treated up to 3,500 people living around 10 dams, improving the regional welfare environment.

**Sharing dreams and hopes •** K-water has been providing assistance for students living near dams by supporting native English instructors and opening English camps to improve the educational environment of the areas. K-water is also providing an informatization service by supporting the re-deployment of PCs to welfare centers and low-income families.

**Global village love sharing •** Since 2006, K-water has been pursuing the theme 'to make a happier world with water' in its overseas social contribution activities, to fulfill its social responsibility as a global company, as well as expanding overseas projects. K-water developed drinking water in Tajikistan as a part of its voluntary activities. Later, K-water carried out social contribution activities in Cambodia, Mongol and East Timor in 2007, in Vietnam in 2008 and in the Philippines and Laos in 2009. Last year, three teams of 36 K-water workers helped two villages in Vientiane, the capital city of Laos, to build major water supply facilities and repair schools. In this way, K-water has continuously participated in efforts to solve water problems as a global water company.

### K-water association for sharing love for water •

'The association for sharing love for water' was founded by K-water workers in July 2004, and up to 99%, or 4,128, of all K-water workers joined 99 community-serving circles and took part in voluntary activities for 53,600 hours (13 hours per person). K-water organized a social service management system, 'Love System' to systematically manage the voluntary activities of executive and workers of the association. In addition, all executives and employees of K-water donate a fixed amount of money from their salaries every month to assist the activities of the association.



## Creator of new values

We will generate the highest values  
through effective management.

# THE CREATOR



Statements of financial position As of December 31, 2010 and 2009

Unit : Korean Won in Thousands

	2010	2009
<b>[ ASSET ]</b>		
<b>Current assets:</b>		
Cash and cash equivalents	159,055,091	104,204,900
Trade accounts and notes receivable, less allowance for doubtful accounts of ₩471,251 (₩556,175 in 2009) (Note 14)	317,464,978	294,908,920
Other accounts receivable, less allowance for doubtful accounts of ₩16,006,688 (₩15,722,317 in 2009)	36,672,829	6,578,170
Inventories (Note 7)	685,293,515	58,302,679
Accrued income	6,128,020	4,053,498
Advance payments	31,358,015	27,198,865
Prepaid expenses	3,030,163	4,666,885
Derivative assets (Notes 21 and 24)	65,573,576	-
<b>Other current assets</b>	<b>118,596</b>	<b>32,418</b>
<b>Total current assets</b>	<b>1,304,694,783</b>	<b>499,946,335</b>
<b>Non current assets:</b>		
Long-term financial instruments (Note 4)	6,421,607	13,408,095
Long-term land investment (Note 7)	1,658,136,462	1,488,929,822
Available-for-sale securities (Note 5)	4,323,800	4,323,800
Equity method investments (Note 6)	21,354,693	8,482,470
Long-term loans receivable (Note 25)	19,208,078	17,319,333
Derivative assets (Note 24)	112,091,189	176,091,153
Other investments	2,605,767	3,590,820
Property, plant and equipment (Notes 8, 9, 21 and 22)	7,011,520,992	2,903,245,796
Intangible assets (Note 10)	7,793,993,400	7,687,891,005
Long-term trade accounts receivable	412,749,588	363,274,229
Long-term guarantee deposits	119,183,827	110,567,150
Deferred income tax assets (Note 18)	18,140,348	-
<b>Total non-current assets</b>	<b>17,179,729,751</b>	<b>12,777,123,673</b>
<b>Total assets</b>	<b>18,484,424,534</b>	<b>13,277,070,008</b>

# Statements of financial position

As of December 31, 2010 and 2009

Unit : Korean Won in Thousands

	2010	2009
<b>[Liabilities and equity ]</b>		
<b>Current liabilities:</b>		
Trade accounts and notes payable	8,479,471	7,142,627
Other accounts payable	145,871,302	119,074,312
Advances received	320,415,975	262,175,167
Withholdings	24,030,165	22,273,998
Accrued expenses	49,658,172	16,593,215
Income taxes payable (Note 18)	22,191,172	3,940,071
Unpaid dividends	91,314	80,391
Current portion of bonds and long-term borrowings (Notes 11, 12 and 21)	407,321,318	33,453,518
Unearned revenue	44,130	44,763
Deferred income tax liabilities (Note 18)	2,135,183	1,401,685
Other current liabilities	23,917,060	6,372,232
<b>Total current liabilities</b>	<b>1,004,155,262</b>	<b>472,551,979</b>
<b>Non-current liabilities:</b>		
Bonds (Note 11)	6,311,372,047	1,937,556,703
Long-term borrowings (Notes 12 and 21)	336,684,225	382,762,543
Severance and retirement benefits, net	205,476,963	166,200,268
Derivative liabilities (Note 24)	101,424,815	21,662,957
Deferred income tax liabilities (Note 18)	-	807,528
Provisions for contingent liabilities	1,601,074	14,097,154
<b>Total non-current liabilities</b>	<b>6,956,559,124</b>	<b>2,523,087,153</b>
<b>Total liabilities</b>	<b>7,960,714,386</b>	<b>2,995,639,132</b>
<b>Equity:</b>		
Capital stock	6,672,837,445	6,493,585,025
Capital surplus:		
Asset revaluation surplus	1,449,018,997	1,449,018,997
Others	2,360,169	2,360,169
	<b>1,451,379,166</b>	<b>1,451,379,166</b>
Retained earnings:		
Legal reserve	644,681,546	623,641,401
Reserve for business expansion	1,616,983,296	1,545,709,793
Reserve for investment in social overhead capital	25,532,838	49,157,806
Unappropriated retained earnings	142,103,845	81,575,757
	2,429,301,525	2,300,084,757
Capital adjustments-stock issuance cost	(587,668)	(569,529)
Accumulated other comprehensive income (loss):		
Gain on valuation of derivative financial instruments	(28,602,906)	36,951,457
Debit equity adjustment in equity method	(617,414)	
	(29,220,320)	36,951,457
<b>Total equity</b>	<b>10,523,710,148</b>	<b>10,281,430,876</b>
<b>Total liabilities and equity</b>	<b>18,484,424,534</b>	<b>13,277,070,008</b>

Statements of income For the years ended December 31, 2010 and 2009

Unit :Korean won in thousands, except per share amounts

	2010	2009
Revenues (Notes 14 and 26):	2,144,749,561	2,005,383,610
Cost of sales (Note 26):	1,819,063,630	1,782,472,891
Gross profit	325,685,931	222,910,719
Selling and administrative expenses (Notes 26 and 27)	96,246,650	93,370,754
Operating income (Note 26)	229,439,281	129,539,965
Other income (expenses):		
Interest income (Note 27)	13,023,891	8,862,974
Interest expense (Note 27)	(90,386,695)	(33,164,415)
Rental income	1,077,379	754,030
Other bad debt expense		(13,294,615)
Gain on foreign currency transactions	16,179	-
Gain (loss) on foreign currency translation, net	(5,855,810)	105,058,340
Reversal of allowance for doubtful accounts	84,923	-
Donations	(999,571)	(1,450,625)
Equity in earnings (loss) of equity method investments, net	1,174,217	(69,009)
Loss on disposal of equity method investments	(63,834)	
Gain on disposal of property, plant and equipment, net	3,938,067	4,653,462
Impairment loss on property, plant and equipment	(1,567,967)	
Gain (loss) on valuation of derivative financial instruments, net	5,855,810	(105,058,340)
Income from collections of indemnities	3,824,959	12,394,139
Others	16,463,473	(16,308,974)
	(53,414,979)	(37,623,033)
Income before income taxes	176,024,302	91,916,932
Provision for income taxes (Note 18)	33,920,457	10,341,175
Net income	142,103,845	81,575,757



## Statement of appropriation of retained earnings For the years ended December 31, 2010 and 2009

Unit : Korean Won in Thousands

	2010	2009
<b>Retained earnings before appropriations:</b>		
Unappropriated retained earnings carried forward from the prior year	-	-
Net income	142,103,845	81,575,757
	142,103,845	81,575,757
<b>Transfer from reserve for investment in social overhead capital</b>	16,863,622	23,624,968
<b>Appropriations (2010 - proposed):</b>		
Legal reserve	31,793,493	21,040,145
Other reserves	106,305,903	71,273,503
Amortization of stock issuance cost	262,349	244,067
Cash dividends (Note 19)	20,605,722	12,643,010
	<b>158,967,467</b>	<b>105,200,725</b>
<b>Unappropriated retained earnings to be carried forward to the next year</b>	-	-

## Statements of changes in equity For the years ended December 31, 2010 and 2009

Unit : Korean Won in Thousands

	CAPITAL STOCK	CAPITAL SURPLUS	CAPITAL ADJUSTMENTS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL
As of January 1, 2009	6,305,440,943	1,451,379,166	(340,736)	19,960,466	2,243,007,700	10,019,447,539
Dividends	-	-	-	-	(24,275,947)	(24,275,947)
Amortization of stock issuance cost	-	-	222,752	-	(222,752)	-
Increase in paid-in capital	188,144,082	-	(451,546)	-	-	187,692,536
Net income for the period	-	-	-	-	81,575,757	81,575,757
Gain on valuation of derivative instruments, net	-	-	-	16,990,991	-	16,990,991
As of December 31, 2009	6,493,585,025	1,451,379,166	(569,530)	36,951,457	2,300,084,758	10,281,430,876
As of January 1, 2009	6,493,585,025	1,451,379,166	(569,530)	36,951,457	2,300,084,758	10,281,430,876
Dividends	-	-	-	-	(12,643,010)	(12,643,010)
Amortization of stock issuance cost	-	-	244,067	-	(244,067)	-
Increase in paid-in capital	179,252,420	-	(262,206)	-	-	178,990,214
Net income for the period	-	-	-	-	142,103,845	142,103,845
Loss on valuation of derivative instruments, net	-	-	-	(65,554,363)	-	(65,554,363)
Change in debit equity adjustment in equity method	-	-	-	(617,414)	-	(617,414)
As of December 31, 2010	6,672,837,445	1,451,379,166	(587,669)	(29,220,320)	2,429,301,526	10,523,710,148

Statements of cash flows As of December 31, 2010 and 2009

Unit : Korean Won in Thousands

	2010	2009
<b>Cash flows from operating activities:</b>		
Net income	142,103,845	81,575,757
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for severance and retirement benefits	50,339,297	23,002,394
Depreciation and amortization	528,925,299	494,200,691
Allowance for doubtful accounts	284,371	13,364,000
Amortization of discount on bonds	2,562,049	1,866,328
Loss (gain) on foreign currency translation, net	5,855,810	(105,058,340)
Reversal of allowance for doubtful accounts	(84,923)	-
Provisions for contingent liabilities	1,599,026	14,097,154
Reversal of provisions	(14,095,106)	-
Donations	476	-
Equity in loss (earnings) of equity method investments, net	(1,174,217)	69,009
Loss on disposal of equity method investments	63,834	-
Gain on disposal of property, plant and equipment, net	(3,938,067)	(4,653,462)
Impairment loss on property, plant and equipment	1,567,967	-
Loss (gain) on valuation of derivative financial instruments, net	(5,855,810)	105,058,340
Others, net	3,275	442,832
Changes in operating assets and liabilities:		
Trade accounts receivable	(71,946,494)	(116,069,415)
Inventories and long-term land investment	(796,197,476)	(348,997,918)
Other accounts receivable	(30,029,176)	2,701,771
Accrued income	(2,074,522)	(782,213)
Advance payments	(4,159,150)	64,961,821
Prepaid expenses	1,636,723	(945,027)
Other current assets	(86,178)	11,069
Deferred income tax assets	349,344	-
Trade accounts payable	1,336,844	919,087
Other accounts payable	26,796,990	38,116,994
Advances from customers	58,240,809	4,823,969
Withholdings	1,756,167	2,427,010
Accrued expenses	33,064,956	7,810,255
Income taxes payable	18,251,101	(16,309,733)
Deferred income tax liabilities	(74,030)	(11,815,420)
Unearned revenue	(634)	(19,940)
Other current liabilities	17,544,828	(630)
Payment of severance and retirement benefits	(11,062,602)	(13,555,038)
Total adjustments	(190,599,219)	155,665,589
Net cash provided by (used in) operating activities	(48,495,374)	237,241,346

## Statements of cash flows As of December 31, 2010 and 2009

Unit : Korean Won in Thousands

	2010	2009
<b>Cash flows from investing activities:</b>		
Decrease in long-term financial instruments	23,907,909	14,665,364
Decrease in long-term loans	1,736,264	2,117,886
Decrease in short-term financial instruments	-	53,000,000
Acquisition of available-for-sale securities	-	(105,300)
Decrease in refundable guarantee deposits	58,584,807	34,030,374
Proceeds from disposal of property, plant and equipment	7,221,249	9,868,492
Increase in short-term financial instruments	-	(45,000,000)
Proceeds from disposal of held-to-maturity securities	-	-
Increase in long-term financial instruments	(16,921,420)	(17,179,007)
Increase in long-term loans receivable	(3,625,009)	(5,687,208)
Proceeds from disposal of equity method investments	702,075	-
Acquisition of equity method investments	(13,081,330)	(3,380,523)
Increase in refundable guarantee deposits	(67,204,759)	(42,904,773)
Acquisition of tangible and intangible assets	(4,655,698,286)	(1,212,935,084)
<b>Net cash used in investing activities</b>	<b>(4,664,378,500)</b>	<b>(1,213,509,778)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of bonds	4,724,800,876	1,089,907,145
Proceeds from long-term borrowings	700,000	-
Contribution from the government of the Republic of Korea and local governments	88,308,794	13,733,454
Redemption of bonds	(33,453,518)	-
Repayment of long-term borrowings	-	(29,335,678)
Payment of dividends	(12,632,087)	(24,254,349)
<b>Net cash provided by financing activities</b>	<b>4,767,724,065</b>	<b>1,050,050,573</b>
<b>Net increase in cash and cash equivalents</b>	<b>54,850,191</b>	<b>73,782,141</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>104,204,900</b>	<b>30,422,759</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>159,055,091</b>	<b>104,204,900</b>



### Independent auditors' report

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Korea Water Resources Corporation as of December 31, 2010 and 2009, and the results of its financial performance, and its cash flows for the years then ended in conformity with accounting standards for government-controlled corporations as prescribed by the Ministry of Strategy and Finance of the Republic of Korea.

*Ernst & Young Han Young*

## Board of directors

- K-water is making diverse efforts to develop into a global water service company by enhancing management transparency and realizing responsible management.

To this end, the board of directors reviews and determines important policies in relation to management goals, business plans and budgets, as well as important matters about business administration. The board of directors has formed and operates two subcommittees related to management and investment. The subcommittees seek alternatives to cope with matters entrusted by the board through in-depth discussions.

K-water has a total of 15 directors, including eight non-standing and seven standing directors. The President of Korea appoints the head of the corporation based on the recommendation of the executive recommendation committee and the Minister of Land, Transport and Maritime Affairs via a decision by the steering committee. The corporation head appoints the chief director, who is a standing member of the board, based on the recommendation of the executive recommendation committee. Non-standing directors are appointed by the Minister of Strategy and Finance based on the recommendation of the executive recommendation committee, via a decision by the steering committee. Auditors are appointed by the President, based on the recommendation of the executive recommendation committee and the Minister of Strategy and Finance via a decision by the steering committee.



President

**Kim Kuen-ho**

President

Standing directors ▶



**Kim Wan-Kyu**

Senior Executive Vice President



**Choi Won-sik**

Vice president of the Administrative Service Division



Auditor General

**Joh Jung-hyun**

Auditor General



**Yum Kyung-taek**

Vice president of Water Resources Business Division



**Choi Hong-gyu**

Vice president of Water Supply Business Division



**Park Gee-Hwan**

Vice president of Land, Energy & Engineering Division

- Song Jai-woo**, professor at Hong Ik University
- Yang Hong-kyu**, lawyer at a law firm NAEIL
- Kim Kye-hyun**, professor at Inha University
- Song Byeong-dae**, Grand National Party lawmaker for Yuseong-gu
- Kim Hak-ryul**, CEO of Shinkwang Eco Road E&C
- Kim Byung-chin**, President of Doowon Technical University College
- Cho Hyun-yun**, professor at Catholic University
- Ryu Byong-ro**, professor of environmental engineering, Hanbat National University

Non-standing directors ▶



01



02



03



04



05



06



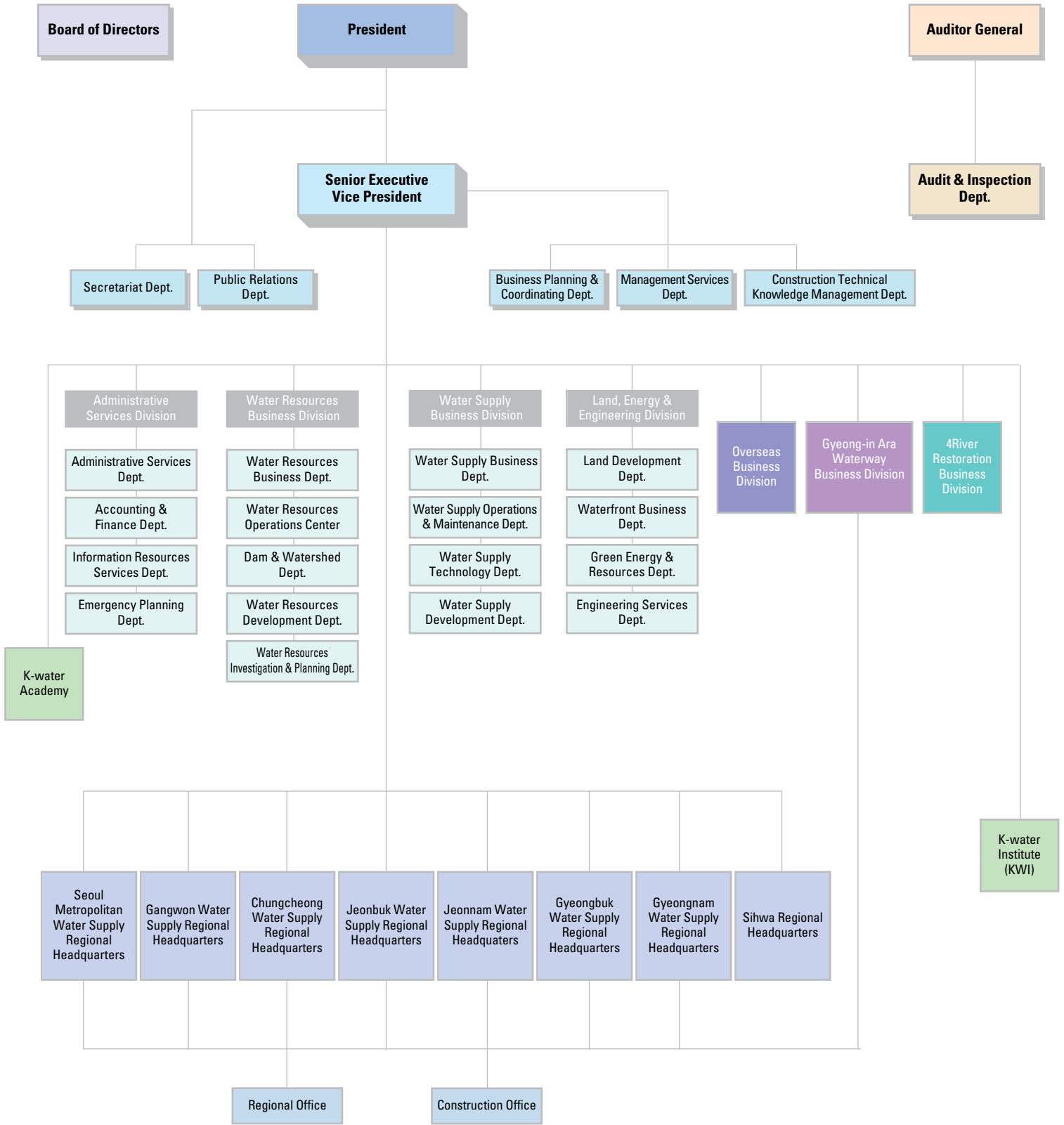
07



08



# Organization Chart



Just as water changes nature through the process of flowing for hundreds and thousands of years, the endless pioneer spirit of K-water will make a happier world and a better future with water.

We will grow continuously to develop into a company that is trusted by its customers to supply cleaner and safer water.





560, SINTANJIN-RO, DAEDEOK-GU, DAEJEON, 306-711, KOREA TEL. 82-42-629-3114 FAX. 82-42-623-0963  
[www.kwater.or.kr](http://www.kwater.or.kr)





We will work hard to develop K-water into a  
larger and more dynamic company.