

# KOPIA B2B Newsletter

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## Korea's Outstanding Performance in Industrial Plant Exports

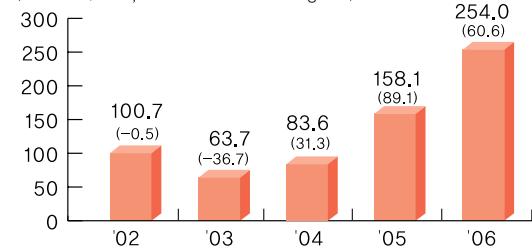
Industrial plants have emerged as one of Korea's new growth engines. The country's industrial plant exports hit a record high in 2006, and the growth momentum is expected to continue this year. Prospects for plant exports are quite bright as most orders won by local contractors are worth more than US\$1 billion. Drawing on the nation's cutting-edge shipbuilding technologies, Korea will likely continue its industrial plant export drive.



Korean contractors won a record US\$35.4 billion in foreign industrial plant orders last year. According to the Ministry of Commerce, Industry and Energy, the figure marks a 60.6% increase from the year before. The outstanding performance was a result of a jump in orders for oil,

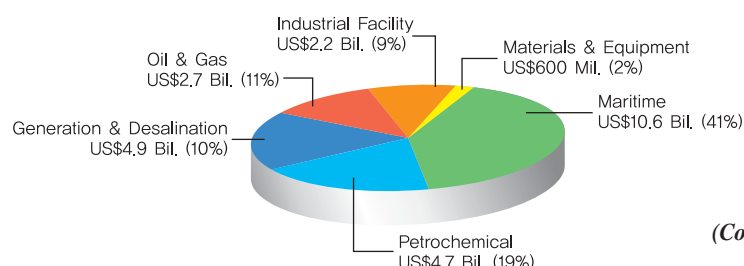
### Overseas Plant Orders Won by Year

(Unit: US\$1 Mil, Year-on-Year Change %)



### 2006 Overseas Plant Orders by Facility

Category	Maritime	Petrochem	Generation & Desalination	Oil & Gas	Industrial Facility	Materials & Equipment
Amount (US\$100 Mil.)	106.0	46.5	45.8	27.3	22.3	6.1
Ratio (%)	(41)	(19)	(18)	(11)	(9)	(2)
Year-on-Year Change (%)	(970)	(10)	(31)	(44)	(450)	(58)



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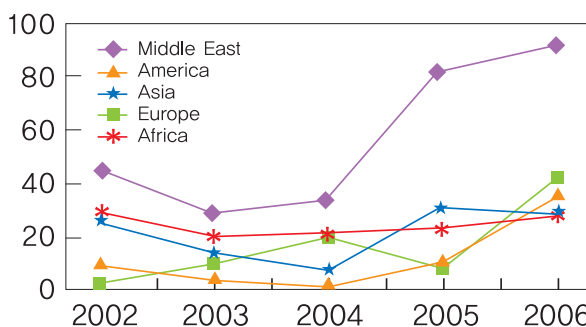
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## Korea's Outstanding Performance...

gas, and petrochemical plants and related their infrastructures. The surge in orders is also attributed to the improving global competitiveness of Korean construction and its engineering companies. Large scale maritime plant orders accounted for 41% of the total orders, or US\$ 10.6 billion, followed by petrochemical plants and power generation plants, with 19% and 18%, respectively. By region, oil-rich countries in the Middle East placed 35% of all orders, while Europe accounted for 19%. Orders from Europe and America were less than those from the Middle East, but their growth rates were quite high at 806% and 487%, respectively.

### 2006 Plant Orders Won by Region

Category	Middle East	Europe	America	Africa	Asia
Amount (US\$100 Mil.)	89.7	47.2	43.7	37.2	36.2
Ratio (%)	(35)	(19)	(17)	(15)	(14)
Year-on-Year Change (%)	(7)	(806)	(487)	(-)	(52)



Korea's plant construction industry is especially strong in maritime plants, as the country boasts the world's number one shipbuilding technologies. Due to their technological prowess, Korean contractors have won overseas orders for the construction of high-value maritime infrastructure facilities, liquefied natural gas facilities, and saltwater desalination facilities.

After the end of World War II, the nation's plant construction industry developed rapidly in parallel

with the heavy and petrochemical industries. Today, however, plant construction orders cannot be won without extremely advanced technologies. And Korea has demonstrated its ability to compete. Last year, Korea's plant export orders, each worth more than US\$100 million, accounted for about 89% of all orders placed with Korean builders. Another noteworthy development is that in 2006, the country further diversified its global export markets. Korean contractors won orders exceeding a billion dollars from only four Middle

### 2006 Plant Orders Won by Region

Category	Over US\$100 Mil.	US\$100-US\$50 Mil.	Below US\$50 Mil.	Total
Amount (US\$100 Mil.)	226.2	19.5	8.3	254
Ratio (%)	(89)	(8)	(3)	(100)
No. of Cases	45	27	236	318

Eastern countries in 2005, but spread out to 10 different nations around the world in

### Small & Medium-Size Plant Orders by Year

Year	2004	2005	2006
Amount (US\$1 Mil.)	332	507	1,512
Year-on-Year Change (%)	-	(53)	(198)
No. of Cases	77	92	122

2006: Norway, the United States, Saudi Arabia, the United Arab Emirates, Nigeria, Oman, Angola, Qatar, Sweden and Brazil. Actually, the orders won in Norway and the United States were greater even than those from Saudi Arabia and the United Arab Emirates. The dramatic increase in European

and American orders is noteworthy as well because it can be attributed to major oil companies putting in more orders for maritime plants.

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## U\$453 Million on Tap for Firms Looking Overseas

The Korean government this year is expected to offer loans worth 426 billion won (US\$453 million) to companies and state-run developers planning to explore natural resources abroad.

Korea's Ministry of Commerce, Industry and Energy (MOCIE) and Ministry of Planning and Budget (MPB) said government loans for local developers going overseas will increase nearly 60% from the 269 billion won posted last year. The loans allocated for overseas oil field development projects amount to 302.6 billion won, up more than 70% from a year earlier. Those earmarked for mineral development projects rose 35.5% to 68.4 billion won.



“We will make more diplomatic efforts to actively support Korean companies’ natural resource development projects abroad in this era of high oil prices,” a MOCIE official said.

Korea's state-run developers and energy companies have recently been intensifying efforts to secure more shares in oil fields and mineral mines around the world. Korea National Oil Corp. and oil refiners like SK Corp. and GS Caltex Corp. spent about US\$900 million last year to take part in overseas oil field development projects.

### Realization of a Self-Supporting Energy Society

Based on the competitiveness that the Participatory Government has secured through resources summit diplomacy, realize a self-supporting energy society by 2030 through self-development for 35% of the nation's total energy consumption.

- Stage a wide variety of international cooperation activities and accelerate development of overseas resources to transition from an energy-poor nation to an energy-rich country from an economic aspect. Oil and gas self-development ratios in 2004: USA 38%, Japan 9.8%, France 93%, Germany 11% and Korea 4.1% (2005). Boost utilization of environment-friendly new and renewable energies, solar energy, wind power, hydrogen and fuel cells, etc. and raise the nation's utilization ratio to the 9% level, and,

- Through technology development and innovation, widen the range of choice for future energies and develop new and renewable energies into new growth engine industries. New and renewable energy supply ratios in 2003: USA 4.5%, Japan 3.7%, France 6.4%, Germany 3.8% and Korea 2.1% (2005).

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## Reliability & Stability Is of Utmost Importance



For over 12 years and across 30 countries, 3Z valves have contributed to the outstanding process performance of companies like Dow Chemical, Monsanto, Union Carbide, Exxon, Stamicarbon, Ronepoulanc, Chiyoda, Toyo and others.

Closely working and continuously communicating with clients, the professionals at 3Z cater to each customer's needs. Their concerns are reflected in product design and corporate services.

With state-of-the-art technology incorporated into manufacturing processes, new facilities and a wholly-owned alloy foundry, 3Z offers high quality, yet economical manufacturing. In the manufacturing center for 3Z valves, the most modern Korean manufacturing facility is coupled with high-grade expertise and the latest technology.

With non-lubricated design of metal-seated, Teflon-sleeved, and Teflon-lined plug valves as well as lubricated design of metal-seated plug valves, 3Z provides quality products to better serve its customers' various needs. The wider and deeper product range offers customers a one-stop solution.

Reliability and stability is of utmost importance to 3Z Corporation, because its products are used in fluid flow control by Heavy & Chemical Process Industries and Oil & Gas Industries including Power Generating Facilities, where these characteristics are critical.

## Fusion of Gas, Safety, & Technology for Over 30 years



MS ENG has manufactured and distributed all kinds of gases including LP Gas, Medical Gas, Mixture Gas, High Purity Gas, Specialty Gas and Industrial Gases (Nitrogen, Oxygen, Argon, Carbon Dioxide, etc.) for over 30 years. During the last 22 years, it has accumulated renowned technology and experience as a specialized

engineering firm and manufacturer of gas-related parts, equipment and plants and as an authorized inspection firm for gas cylinders and gas tanks.

MS ENG now conducts various gas leakage tests and purging work for LNG piping networks all over the country, and exports industrial gases and gas-related parts and facilities. MS ENG concentrates all its energy on developing new gas technology and gas experts, which now comprise a Total Gas Supply System for the industry-leading gas company.

In order to satisfy customer needs, MS ENG offers a Safety Control service for the safe use of gases under its One Point Supply System of specialized inspections, engineering of gas facilities, treatment of residual toxic and flammable gases and gas specialists.

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**Rush to Establish Local Eng'g Centers**

## Plant Construction Firms Finding O'seas Manpower in India

With Korean construction companies seeking career engineers following the brisk plant business boom, SK E&C, GS E&C, Doosan Heavy Industries, Samsung Engineering and others are establishing their engineering centers in India one after another.

The trend is interpreted as a desire of Korean plant construction companies to secure technical manpower abroad due to difficulties in finding qualified engineers to carry out projects stemming from an explosive surge in plant orders centering on the Middle East and Africa owing to persisting high oil prices.

After the recent announcement of its plan to establish a local corporation as its engineering center in India with 4.4 billion won of paid-in capital, SK E&C said, "Manpower recruitment plans have not been confirmed. So, the precise operation method of the center is not yet available." However, the company has taken local surveys related to operation of the center, including manpower selection and the market.



Ahead of SK, in June 2006, GS E&C established an engineering corporation in India, selected 25 local engineers and is currently conducting training at its head office in Seoul. At present, 70 among the company's 117 foreign engineers are Indian.

A related official at GS E&C said, "The training program is designed to help the engineers promote cooperation business between the head office and the local corporation in India, as well as to increase their pride as executives and employees." With plant orders sharply increasing in the global market, GS E&C set up the engineering corporation in India for stable resolution of engineering workload and also for enhancement of cost competitiveness.

Doosan Heavy Industries also established an engineering center in India for efficient execution of the Sipat Thermal Power Plant Project in the country secured in 2004. In addition, Samsung Engineering set up a local corporation in India to reinforce its global project execution system.

The reason why Korean plant construction businesses are establishing such engineering centers is that Indian engineers have a good command of English due to the U.K.'s colonial rule of the country in the past and also because of world-class high-tech engineers available in India.

Moreover, labor cost is comparatively cheaper there; even for Indian engineers who graduated from the leading engineering colleges, wages are about 70% of Korean engineers. As a result, construction engineering enterprises, such as Technip of France and Toyo Engineering of Japan, have engineering centers in India.

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## Doosan Wins Large Power & Desalination Plant Contracts in Oman, UAE

Doosan is boosting sales in the Middle East power plant market just before the end of the year.

Executive Vice President Hong Seong-Eun and President Guy Richelle of Suez Energy International, signed a contract for the construction of an IWPP (Independent Water and Power Producer) in Barka Phase II Oman, on December 15. On the same day, Doosan also signed a contract with Suez for the construction of the A10 Combined Cycle Power Plant in Al Taweelah, UAE.

The Barka project involves the construction of a 678MW power plant and a desalination plant capable of producing 120,000 tons of water per day for 300,000 people. The electricity and water produced by the plant will be supplied to Muscat, the Capital of Oman.

According to the EPC contract, Doosan is to design, manufacture, install and test all the systems and complete the construction by April 2009. For the Al Taweelah A10 Project, Doosan will build a 216MW combined cycle power plant in the form of an IPP (Independent Power Producer) in Al Taweelah, a city located near Abu Dhabi. Doosan plans to complete the EPC contract by May 2009.

Executive Vice President Hong said, "Recently, most of the power and desalination projects have been commissioned by independent producers who prefer EPC contractors capable of carrying out everything from engineering to testing. By winning these two independent projects, we have placed ourselves in an advantageous position with regard to our participation in the upcoming independent power and desalination projects to be commissioned next year in the Middle East with a total contract value of US\$6 billion."

## Samsung Advances into Trinidad & Tobago Plant Market

Korea's plant business has finally entered the Trinidad and Tobago market for the first time. Samsung Engineering Co., Ltd. (President & CEO, Jung Yeon-Joo) said that it has secured a US\$180 million order from PETROTRIN (Petroleum Company of Trinidad and Tobago Limited), a state-operated petroleum company of Trinidad and Tobago, to build an oil refinery, on Dec. 15th.



After having signed contract with President Malcolm A. Jones of PETROTRIN, at the Trinidad and Tobago head office of PETROTRIN, president Yeon-Joo Jung of Samsung Engineering, established how "for the first time in Korea's plant business, Samsung Engineering has pushed into this quality market, previously dominated only by advanced companies." He pointed out that "this contract award was possible thanks to Samsung Engineering's flawless project executions in Mexico, which include not only the current refinery plant project in Minatitlan but also the refineries in Tula and Salamanca." He also added that "Samsung Engineering has a highly positive outlook in the Latin American market."

The refinery, scheduled to be completed by November 2008, is to be located at The Pointe-a- Pierre Refinery Complex of Trinidad's west coast. The purpose of the project is to build facilities that may produce high-octane petroleum by mixing naphtha compounds with catalysts, filtering impurities, and refining the outcome. After completion, the plant will have an average daily production capacity of 28,000 barrels of petroleum. Samsung Engineering will provide a complete range of engineering services from design, procurement, and construction to facility operation and management, on a turnkey basis.

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## SECL President & CEO Jung Yeon-Joo:

# Samsung Envisioning World's Top Enterprise by 2010



“We have been making good progress in achieving the vision, ‘Making an Excellent Company,’ that I revealed upon my inauguration. Above all, business performance results and stock prices are supporting our efforts,” said President & CEO Jung Yeon-Joo of Samsung Engineering Co., Ltd. (SECL), who is concurrently a financial expert.

“Buy Samsung Engineering stocks and keep them for only a few years.” This is what he has habitually told his acquaintances since he took office as CEO of the company in 2003, specializing in petrochemical plants and environmental facilities, etc. The stock price is a good indicator of a company's capability. Soliciting the securing of stocks is another expression of his firm assurance to make SECL a promising company.

President Jung himself also has continued to buy company stocks with his personal funds since his inauguration until stock prices rose to the 40,000 won level. Jung did not receive any stock from a stock option deal. As of mid-May 2006, his equity ratio stood at 0.09%. He said. “To maintain our vision with stockholders, executives and employees and to secure confidence in me, I will not sell even one share until I retire.” President Jung's self-confidence appears to be working. SECL's stock price, which was 3,250 won in March 2003 when he joined the company, reached 42,450 won on November 16, 2005, up 282% from the preceding year. In 2006, the stock price jumped more than 40%.

SECL has been identified as a representative ‘turnaround enterprise’ because the company, which suffered 120 billion won in deficits in 2003, produced 87 billion won in current profit in 2005. Moreover, the company won several large-scale plant projects from the Middle East in 2006 as an oil money beneficiary.

For five consecutive years, CEO Jung has been staging a ‘Six Sigma’ campaign and he also established a company-wide ERP (Enterprise Resource Planning) system. To raise productivity, he improved management efficiency to the next level by introducing an incentive system and other programs. The CEO analyzed causes of poor-quality projects and developed improvement methods by function, such as sales, business management, engineering, procurement, construction, etc. He significantly strengthened the examination procedure to secure orders significantly and took preventive measures after analysis of potential risks by stage. To unify executives and employees and provide motivation, he also raised salaries.

President Jung, who takes overseas business trips more than twice a month, in particular, has remarkably expanded plant exports abroad, the Middle East, Southeast Asia, etc. Stock market analysts forecast that considering SECL's increasing receipt of plant orders from the Middle East and President Jung's status, the company will continue double-digit growth annually until at least 2010. On the occasion of the company's 36th anniversary in April 2006, President Jung suggested a new vision, ‘achievement of 5 trillion won in sales by 2010 accompanied by profits.’ As SECL engaged in improving its potential capability with the selective receipt of orders under the slogan ‘Let's Change’ for the first period of management innovation (2003~2005), the CEO expects the second period (200~2008) will be a time for his company to achieve a full take-off.

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## Eximbank to Raise Financing for Overseas Investment



Eximbank President Yang Cheon-Sik

The Export-Import Bank of Korea plans to increase its loans and debt payment guarantees for companies to a record 32.5 trillion won this year, up 5.7% from 2006.

The state-run export financier also said it is seeking a revision of related laws to boost its financing for overseas investments and natural resources developments by Korean firms. The main policy focus will be on helping exporters of cultural products, it said.

“Our primary goal is to spur economic growth through exports and to help strengthen global competitiveness of Korean companies,” said Eximbank President Yang Cheon-Sik. “We are ready to give a helping hand to export firms which are suffering from high oil prices and the won’s appreciation against the dollar.”

Last year, the bank extended a total of 30.8 trillion won to companies, the highest level since its foundation in 1976. The country’s exports hit a record US\$326 billion in 2006, higher than the initial target of US\$318 billion despite negative trade factors.

“We can’t underestimate the importance of exports for economic prosperity,” Yang said. “In particular, we will pay keen attention to helping small and mid-sized exporters which are not capable of providing collateral for loans.”

In order to promote economic cooperation with developing countries, the bank also plans to increase its provision of Economic Development and Cooperation Fund (EDCF) by more than 50% to 550 billion won. The amount is relatively small given the country’s economic status, but it will increase on a gradual basis, Eximbank officials said.

The bank has signed contracts for the EDCF provision with Indonesia, Vietnam and the Philippines. The number of beneficiaries will be increased to 11 countries, the bank said. The EDCF, being provided at a minimum interest rate of one percent, will be mainly used for construction of industrial infrastructure.

“We want to continue playing a central role in the country’s economic growth by providing comprehensive banking services for exporters and importers,” Yang said.

### Korea Eximbank

- |   |  |
|---|--|
| Vitalizing Korean exports as an export credit agency                      | <ul style="list-style-type: none"> <li>- Actively financing construction of capital goods such as ships and plant, as well as high-technology industries including IT</li> <li>- Supporting overseas investment and major resources development</li> </ul> |
| Strengthening economic cooperation with developing countries through EDCF | <ul style="list-style-type: none"> <li>- Examination and appraisal of projects, conclusion of loan agreements, disbursement procedure, supervision and ex-post evaluation</li> <li>- Studies on ODA policy</li> </ul>                                      |
| Promoting reconciliation and cooperation with North Korea through IKCF    | <ul style="list-style-type: none"> <li>- Designation as the official Inter-Korean Settlement Bank for South Korea with Foreign Trade Bank of North Korea as its counterpart.</li> </ul>  |