



Confidential



Korea Land and Housing Corporation

Rating Presentation

November 2019

Disclaimer

Certain information and statements made in this presentation contain “forward-looking statements”. Such forward-looking statements can be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “considering,” “depends,” “estimate,” “expect,” “intend,” “plan,” “planning,” “planned,” “project,” “trend,” and similar expressions. All forward-looking statements are the Company’s current expectation of future events and are subject to a number of factors that could cause actual results to differ materially from those described in the forward-looking statements. Caution should be taken with respect to such statements and you should not place undue reliance on any such forward-looking statements.

Financial information in this presentation is based on K-IFRS consolidated financial statements.

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1. Overview of LH Corporation

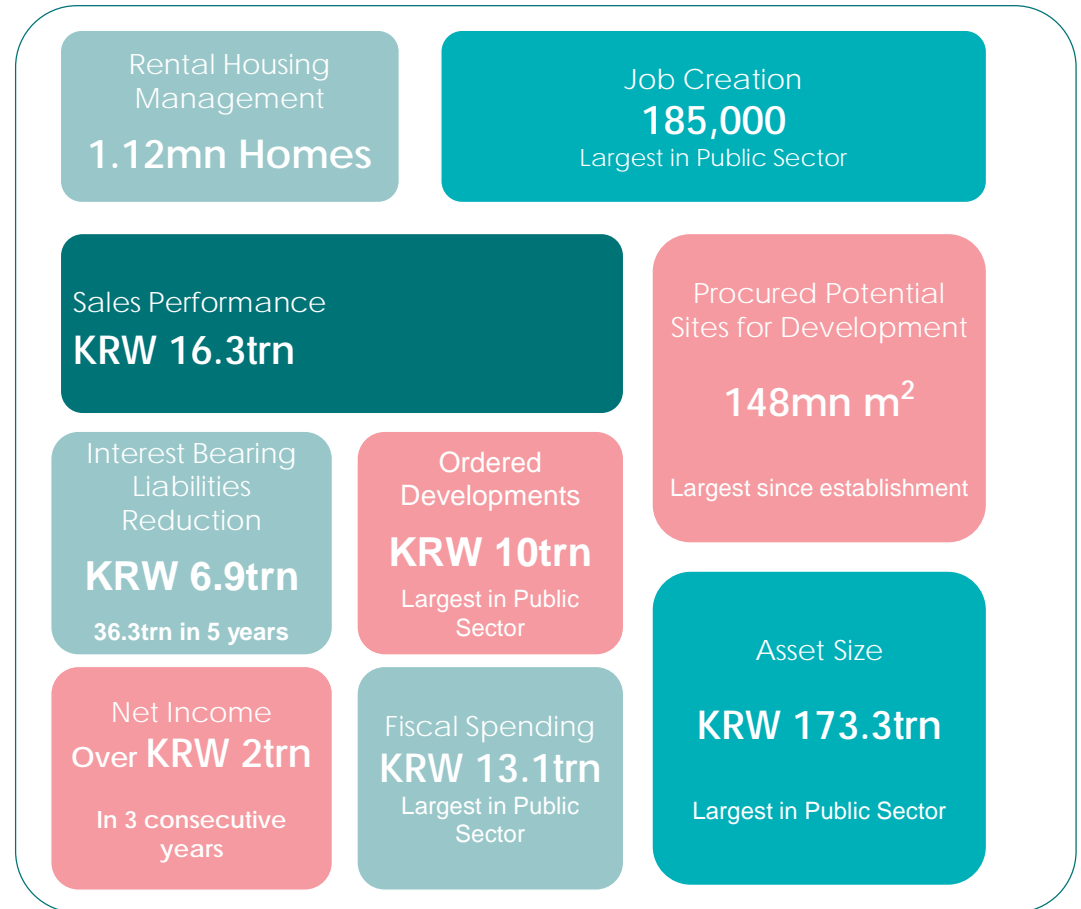
1-1. Overview of LH – Key Business and Achievements

- Key Business – **Implement land and housing policy** including housing welfare, land development, housing supply and management
- Key Achievements – **Actively performed its public role** including policy support on the back of strengthened financial stability in 2018

Key Business Areas



Numeric Overview of LH 2018

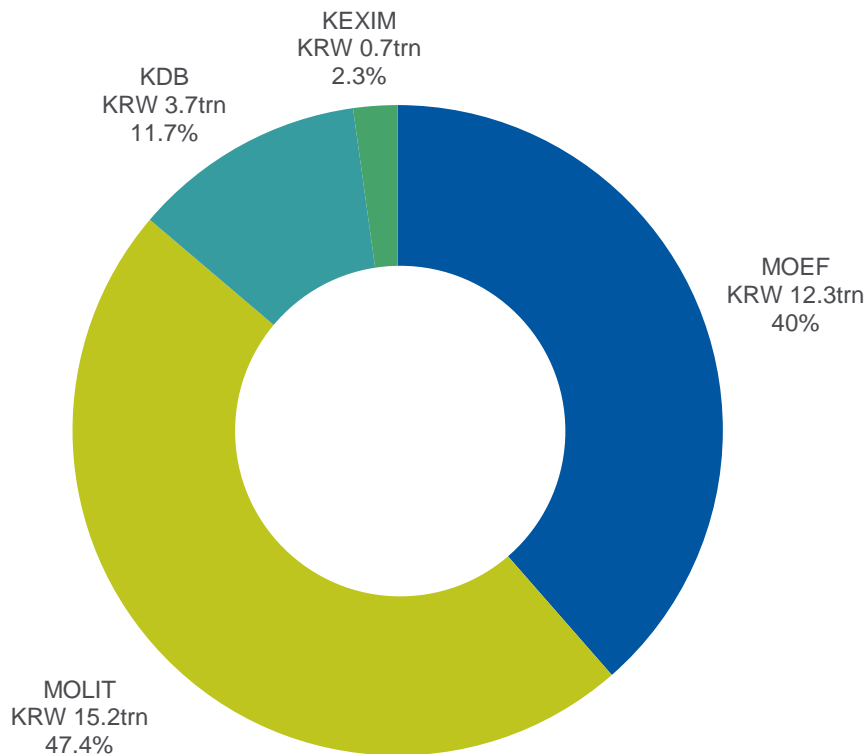


1-2. Overview of LH – Corporate Governance and Fiscal Contribution

- Corporate Governance – Korea’s largest public institution, directly and indirectly 100% owned by the government
- Fiscal Contribution – Largest fiscal spending institution among 33 public institutions, representing 27.3% of the total fiscal spending in 2019

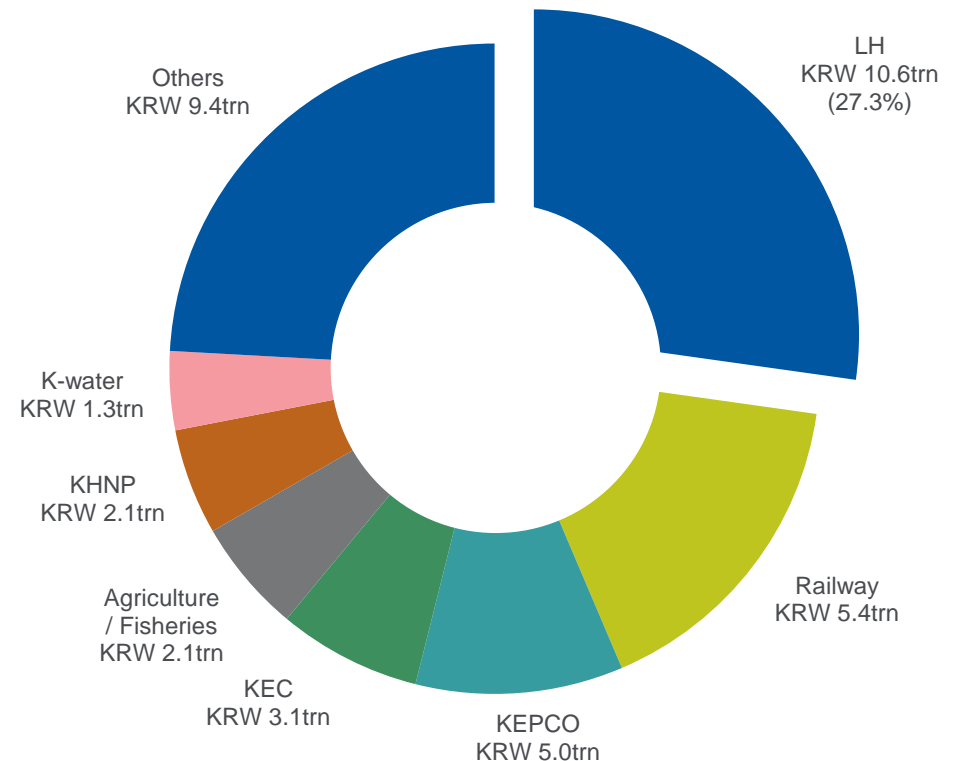
Governance

Paid-in Capital: KRW 32.0trn (as of June 2019)



Fiscal Contribution

2019 Fiscal Spending Plan for Public Institutions: Total KRW 39.0trn



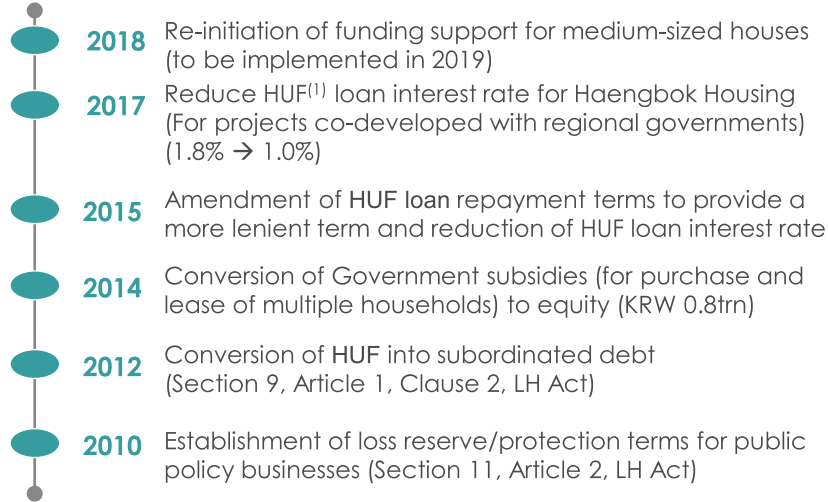
Note: Shareholders’ equity (KRW47.0trn) = Paid-in capital (32.0) + Retained earnings (15.0)

Source: 2019 Fiscal Spending Plan by the MOEF

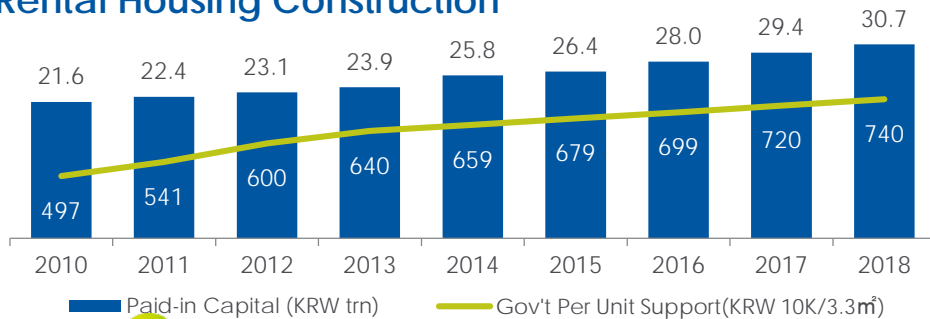
1-3. Government Support and Credit Ratings

- Government Support - Continued support and capital injection from the government to fulfill LH's policy functions including public housing and housing welfare
- Credit Rating - **Credit ratings on par with that of the Korean government** based on the LH's status as execution arm of government's land and housing policies and its improved financial condition

Track Record of Government Support



Paid-in Capital and Government Support for Rental Housing Construction



Note: (1) Housing Urban Fund
LH 한국토지주택공사

Credit Ratings

International



Domestic



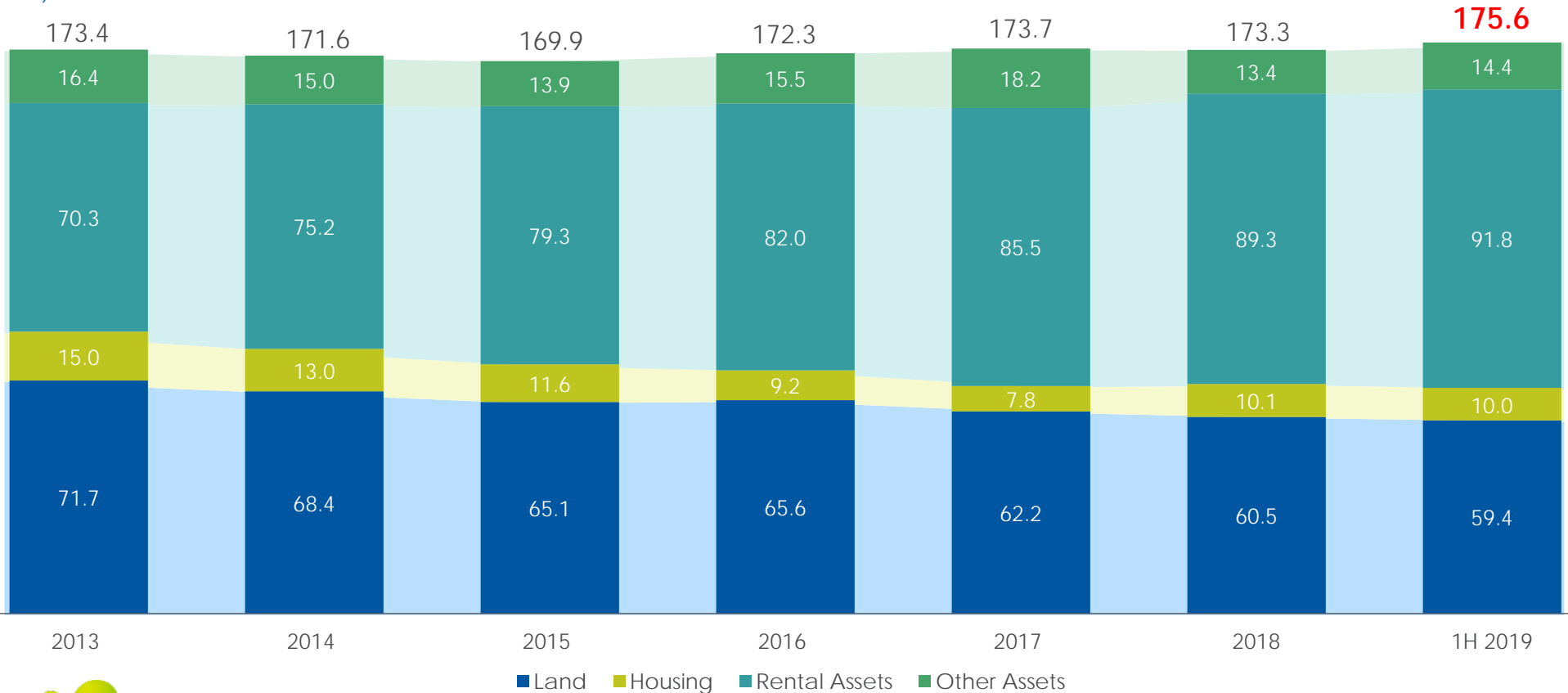
2. 1H 2019 Business Achievements

2-1. 1H 2019 Business Achievements- Assets

- **Total assets increased (+KRW 2.3trn)** from 2018, stemming from continued increases in rental assets (+KRW 2.4trn) and cash / cash equivalents (+KRW 1.2trn) as a result of the **implementation of policy projects such as Roadmap for Housing Welfare**

Asset Breakdown

(KRW trn)

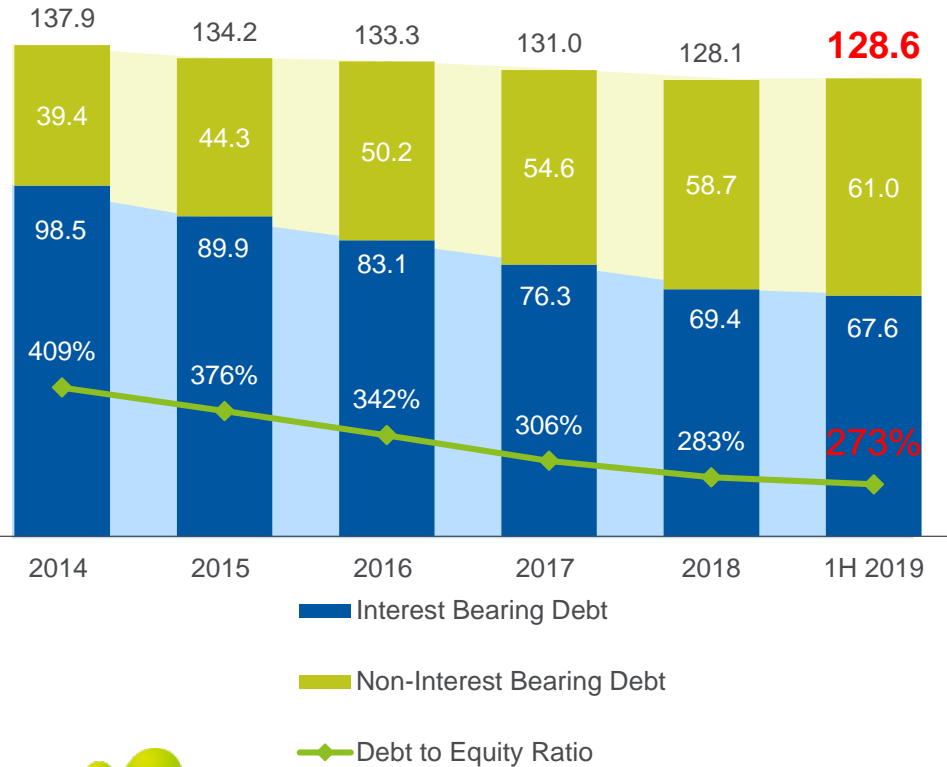


2-2. 1H 2019 Business Achievements- Liabilities

- Despite **net repayment of interest bearing debt (ΔKRW 1.8trn)** and the increase in debt (+KRW 0.5trn) following **increase in equity, the debt-to-equity ratio continued to decline**
- Debt-to-equity ratio - Recorded 273% (Δ10%p YoY) and interest bearing debt-to-equity ratio recorded 144% (Δ9%p YoY) in 1H 2019

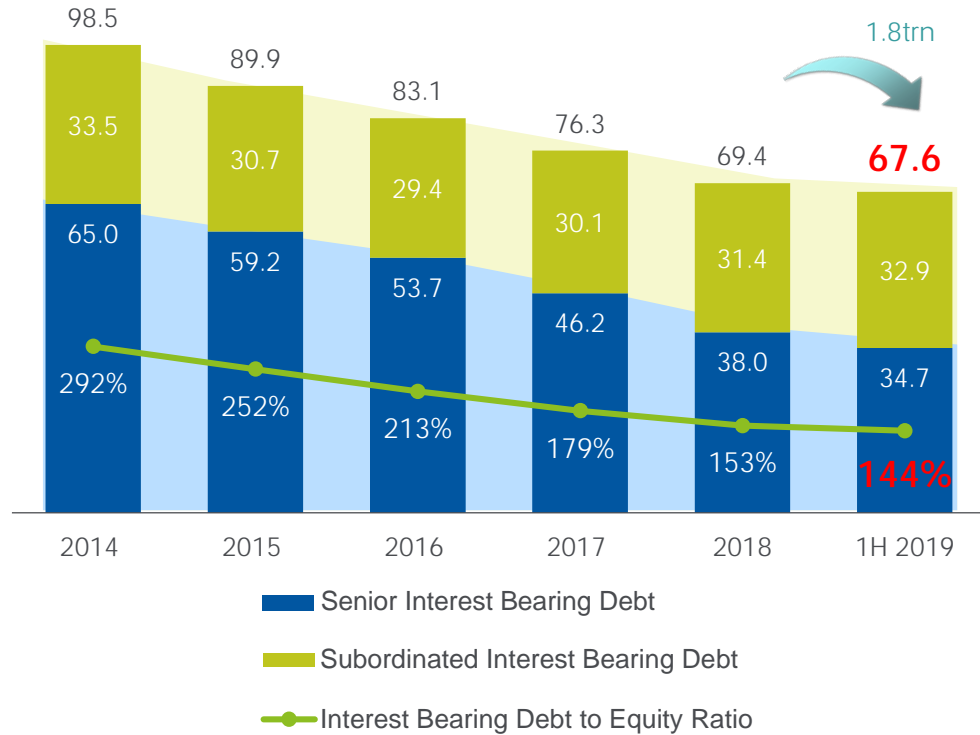
Total Liabilities

(KRW trn)



Interest Bearing Debt

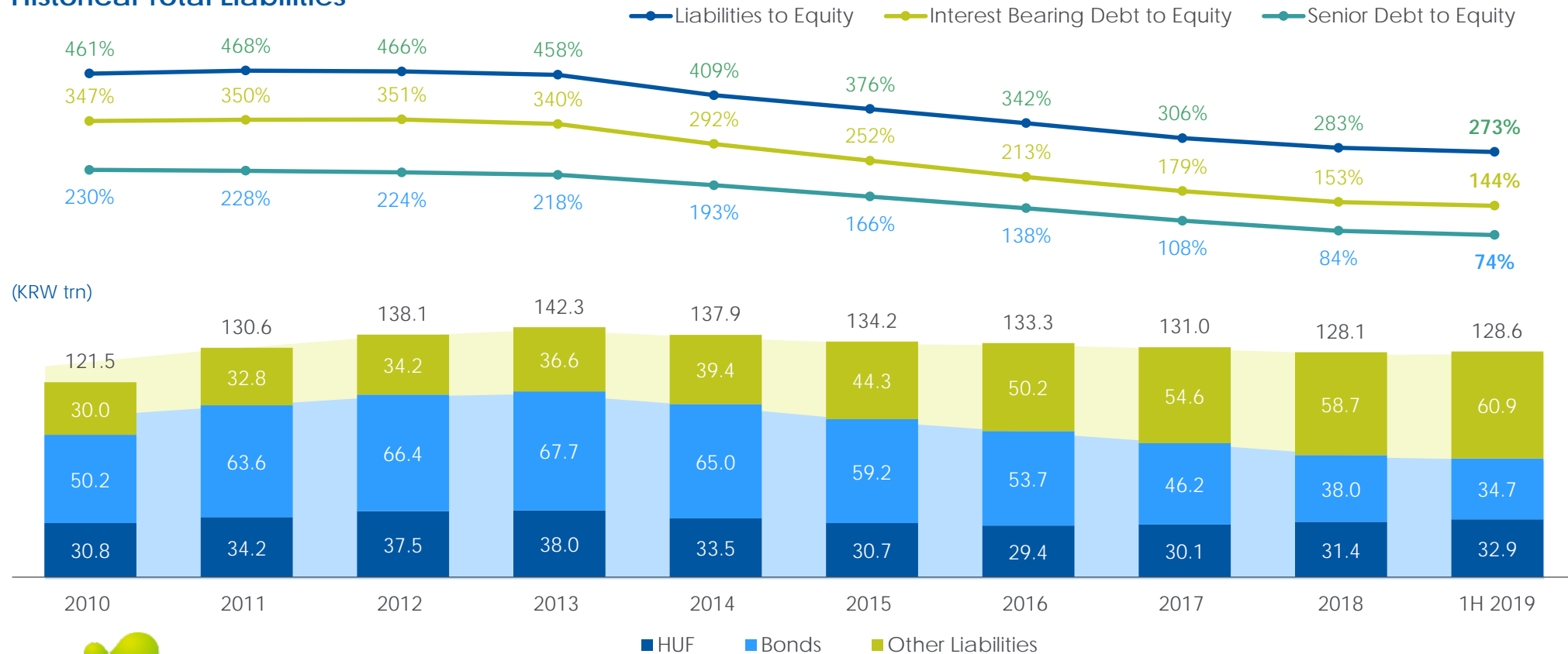
(KRW trn)



2-3. Continued Efforts to Improve Balance Sheet

- Total Liabilities – KRW 121.5trn in 2010 → KRW 142.3trn in 2013 (record high)
→ KRW 128.6trn as of 1H 2019 (ΔKRW 13.7trn from 2013)
- Interest Bearing Debt – KRW 81.0trn in 2010 → KRW 105.7trn in 2013 (record high)
→ KRW 67.6trn as of 1H 2019 (ΔKRW 38.1trn from 2013)
- Interest Bearing Debt to Equity Ratio: 347% in 2010 → 351% in 2012 → 144% as of 1H 2019 (Δ207%p from 2012)

Historical Total Liabilities

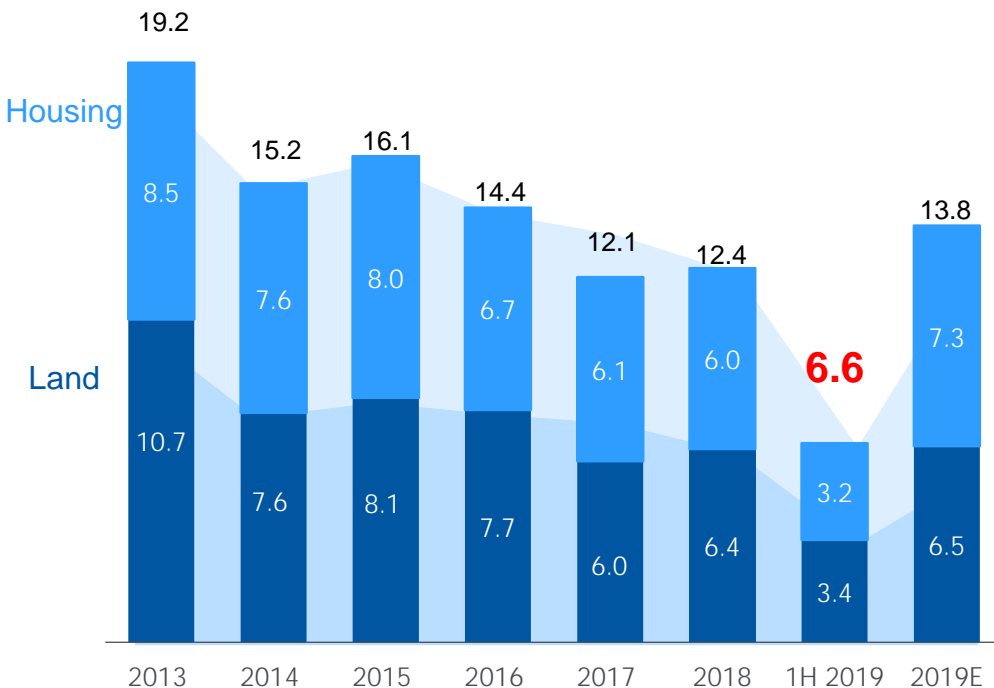


2-4. 1H 2019 Business Achievements– Capex and Return

- Capex – **Recorded KRW 6.6trn and expected to record KRW 13.8trn at year end** due to normalized execution of projects in major business districts and fiscal spending efforts
- Proceeds from Property Sales and Rental – **Recorded KRW 8.8trn and expected to record KRW 18.0trn at year end** due to normalized execution of contracts and residency process in major business districts
 - Net Return (= Proceeds from Property Sales and Rental – Capex) recorded KRW 2.2trn in FY2018 according to Pay-Go principle, **expected to maintain above KRW 4.0trn for five consecutive years since 2014**

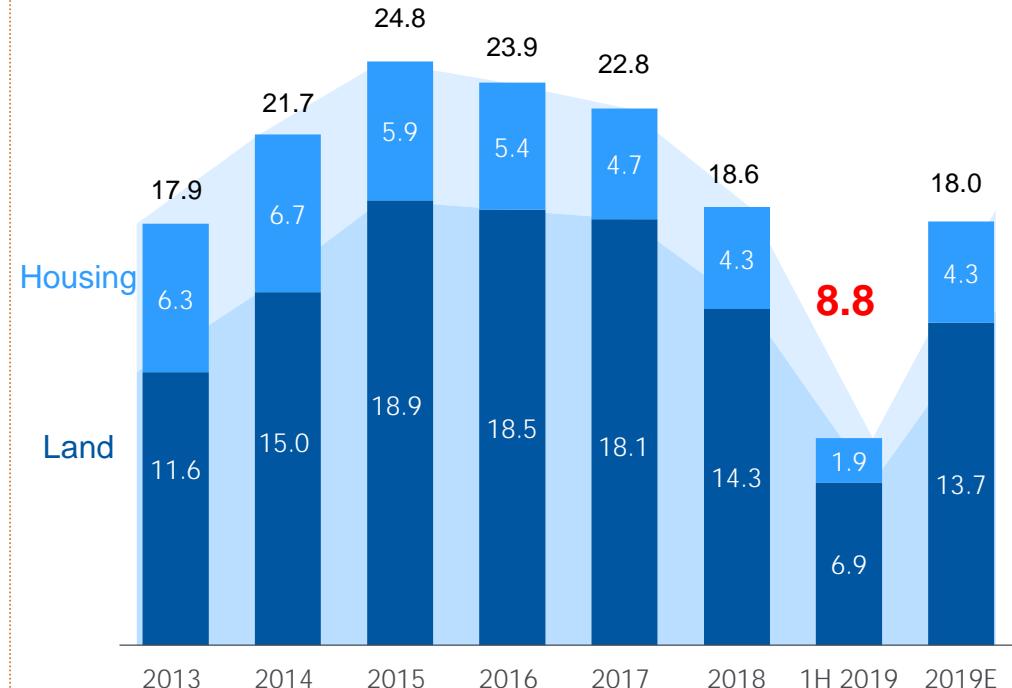
Capex

(KRW trn)



Proceeds from Property Sales and Rental

(KRW trn)

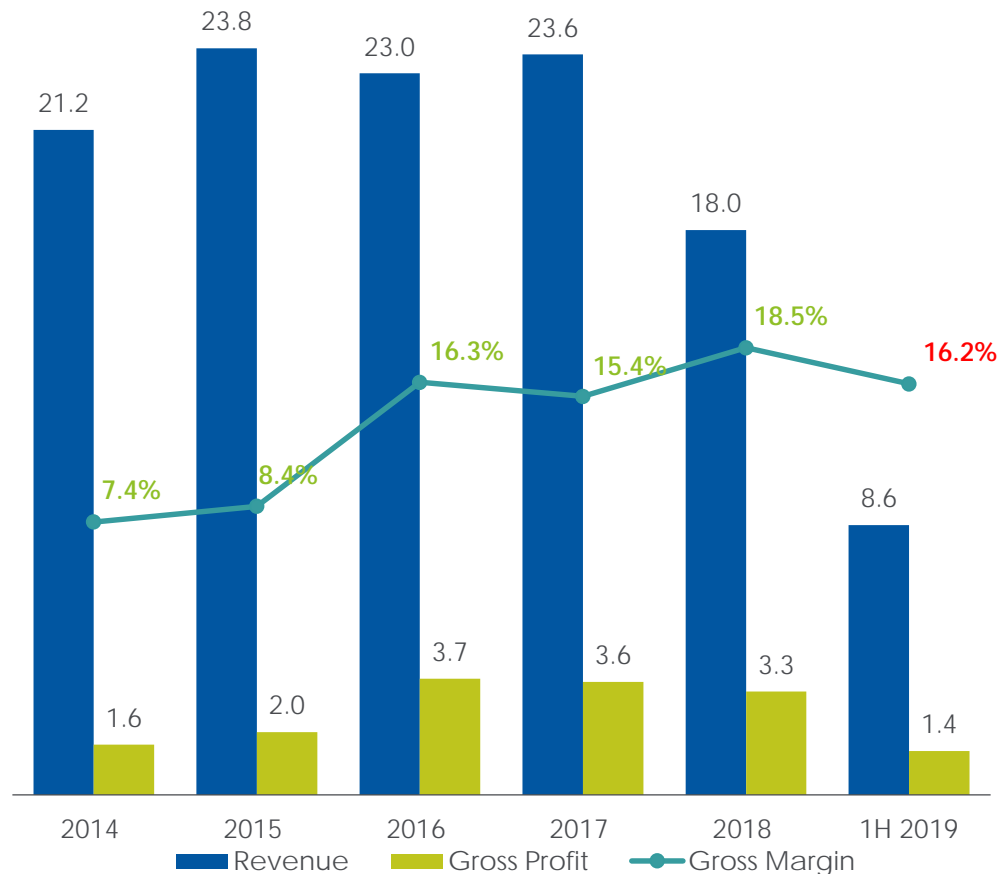


2-5. 1H 2019 Business Achievements- Profitability

- Gross Profit - decreased by KRW 1.2trn compared to 1H 2018, recording KRW 1.4trn but achieved **gross profit margin of 16.0%**
- Operating Income - decreased by KRW 1.1trn compared to 1H 2018, recording KRW 1.0trn and achieved **operating margin of 11.6%, a 2.9%p decrease from 1H 2018**

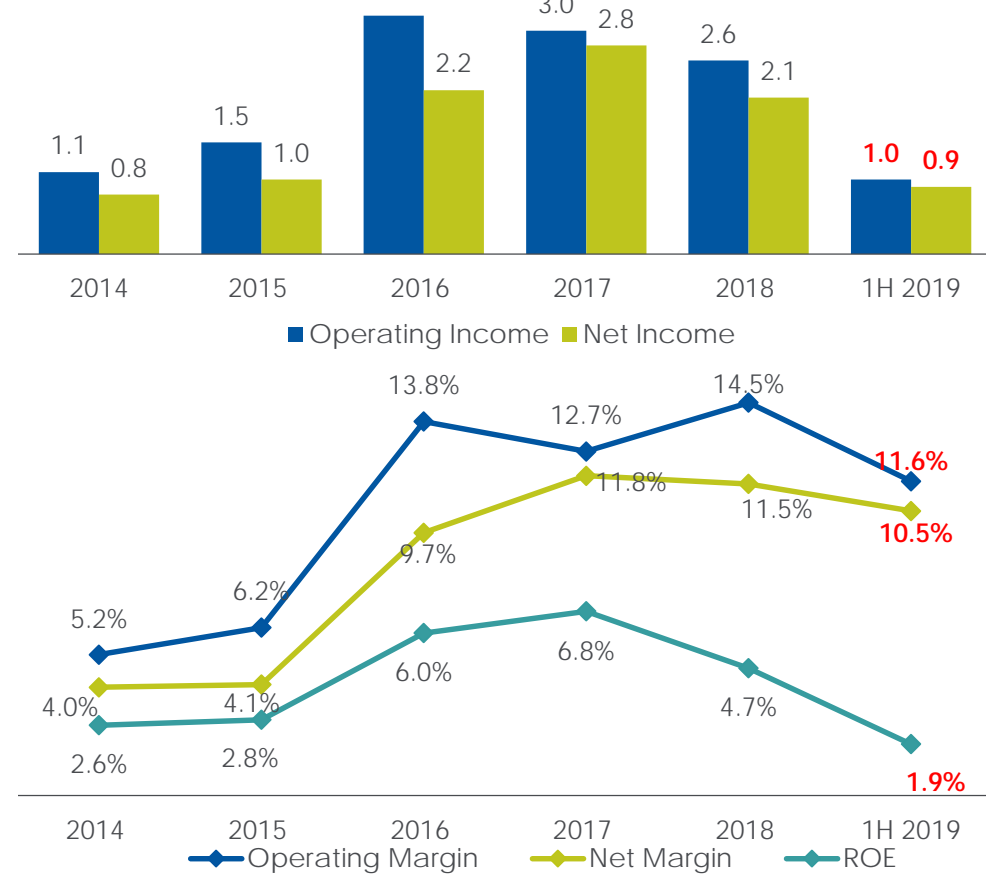
Revenue / Gross Profit

(KRW trn)



Operating Income / Net Income

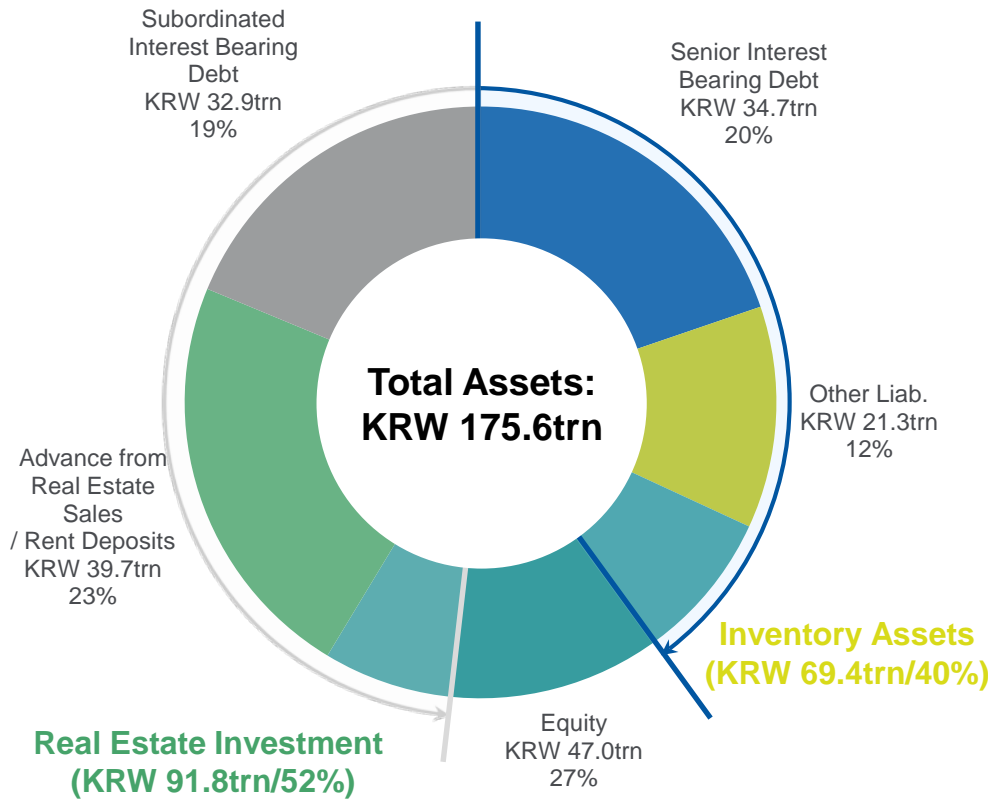
(KRW trn)



2-6. 2018 Business Achievements– Debt Repayment Capability

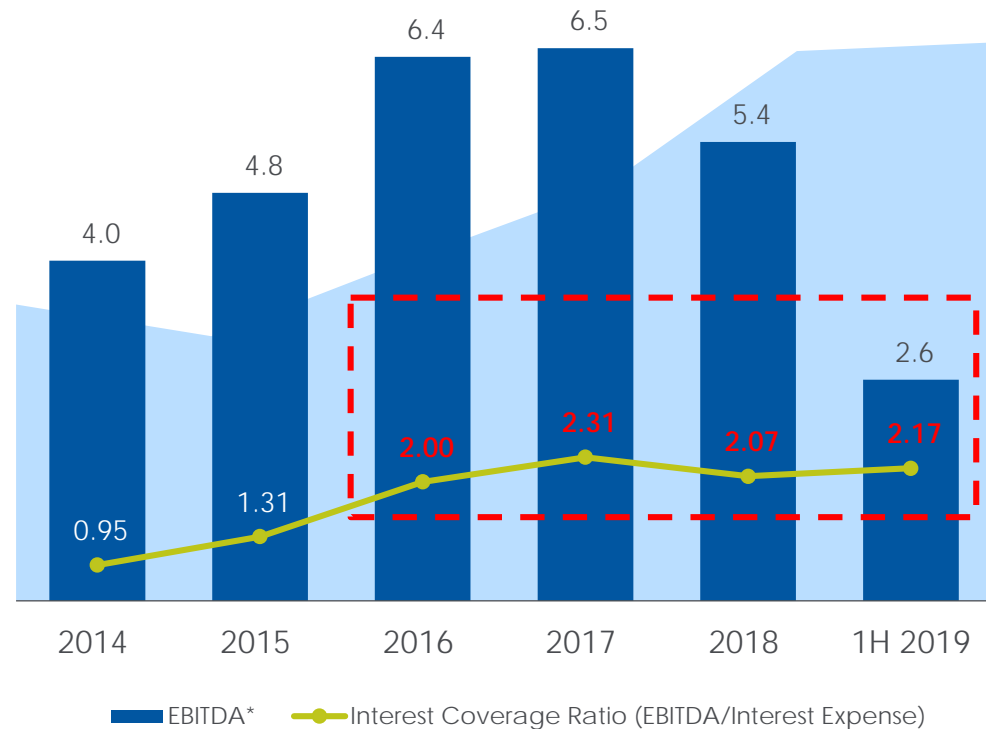
- Robust repayment capability with senior debt only accounting for **20% of total assets and 50% of inventory assets**
- Interest Coverage Ratio – Maintained above 2.0x for four consecutive years since 2016

Repayment Capability



Interest Coverage Ratio

(KRW trn, %)



* Operating profit + interest expense in COGS + depreciation

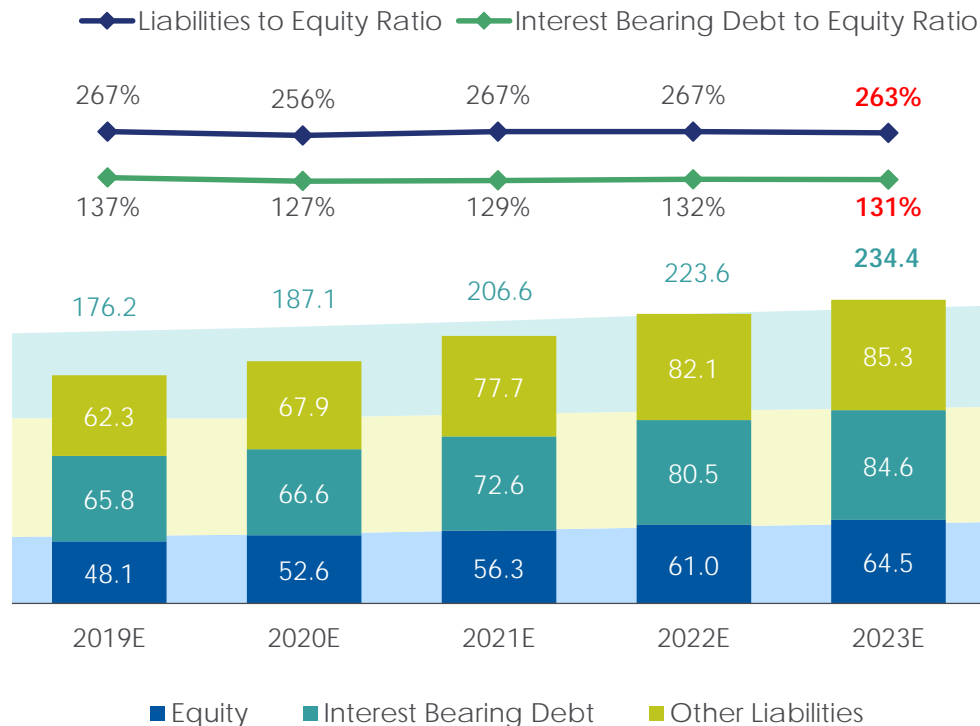
3. Financial Forecast and Bond Issuance Plan

3-1. Mid-to-Long-term Financial Plan for 2019~2023

- Assets – Expected to increase given growing public investment for the government’s roadmap on housing welfare
- Profit – **Expected steady earnings of c. KRW 2trn after 2020** despite the decrease in sales volume on lands for public housing and commercial using
- Interest Bearing Debt – Expected to increase after 2019 due to growing investment. However, **interest bearing debt to equity ratio expected to decline to 131% by 2022** due to increase in government capital injection

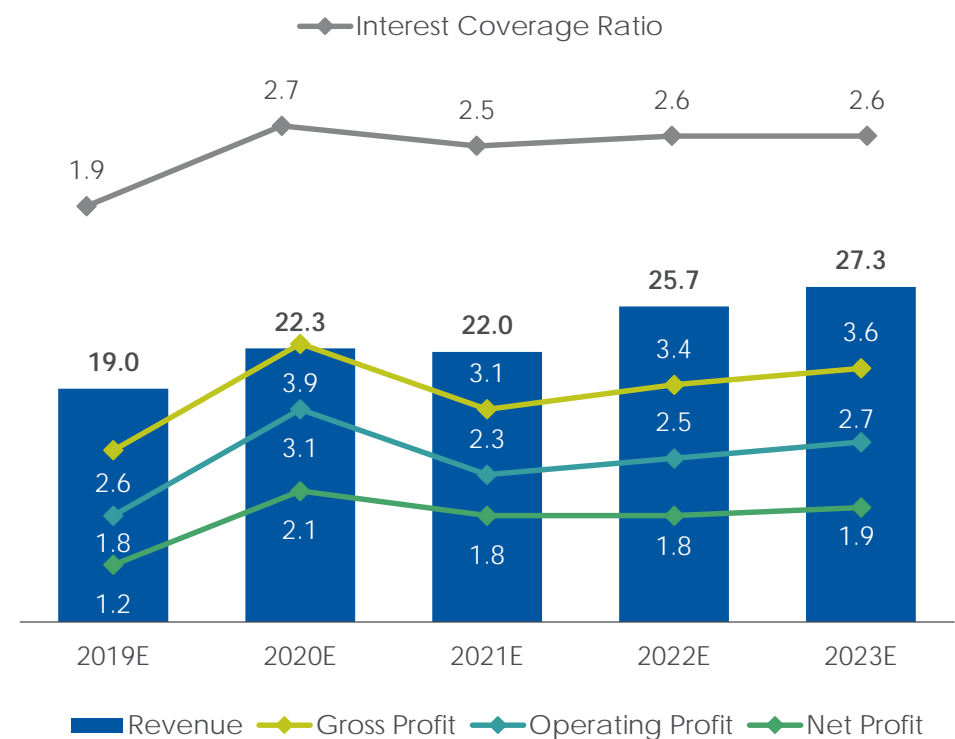
Financial Profile

(KRW trn)



P&L Forecast

(KRW trn)



3-2. Bond Issuance and Repayment Plan

- Issuance – **Plans to issue KRW 2.0trn of bonds** according to FY2019 funding plan, to address the imbalance in cashflow
- Debt Repayment – Debt level expected to be c. KRW 11.0trn and within the annual range of KRW 6~10trn until 2021, and **expect continuous decrease in the total debt size afterwards**

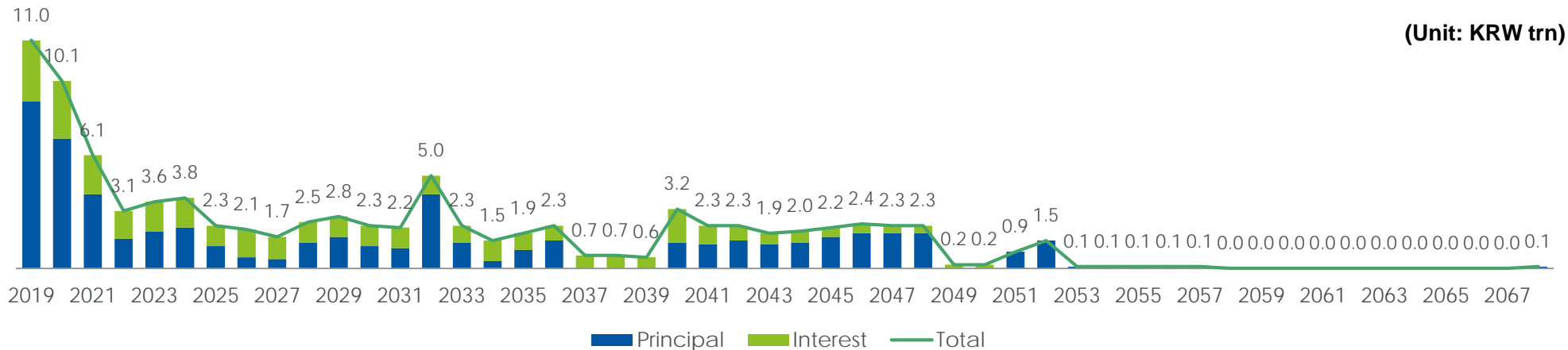
Bond Issuance Plan / Actual in 2019

	Domestic Bonds				Foreign Bonds	Short-term Bonds
	Total	Funding	Reimbursement for Land Expropriation			
FY2019 Plan	2,000	520	240	240	240	1,000
FY2019 Aug Actual	1,730	430	133	237	237	930

(Unit: KRW bn)

※ Plan to issue 100% of funding plan until the end of the year (available issue balance: KRW 270bn)

Principal Repayment Plan



Thank You