

# The New Leader of Korean Construction Industry

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March 2003



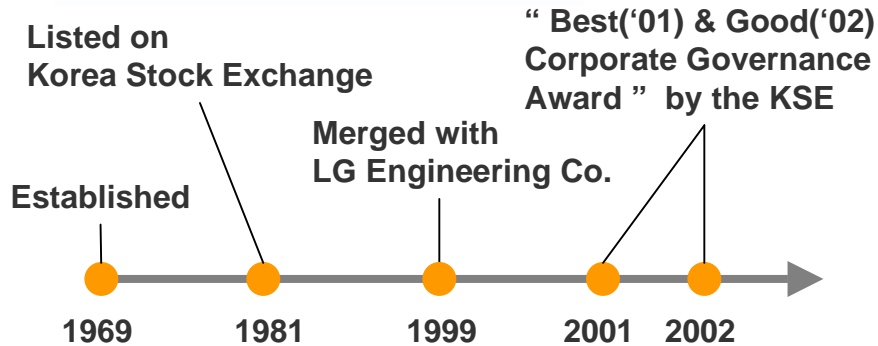
**LG Engineering & Construction Corp.**

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This material contains forward-looking statements that include our current beliefs and expectations on market factors and information obtained outside LG E&C, which are subject to uncertainties. Due to the volatility of these factors, actual results may differ from those set forth in the presented statements.

History



Business Area

**Civil**

- Road/Railroad /Tunnel/Bridge
- Port & Harbors
- Underground

**Plant**

- Oil Refinery
- Petrochemical
- Gas Process
- Power Plants
- Environment

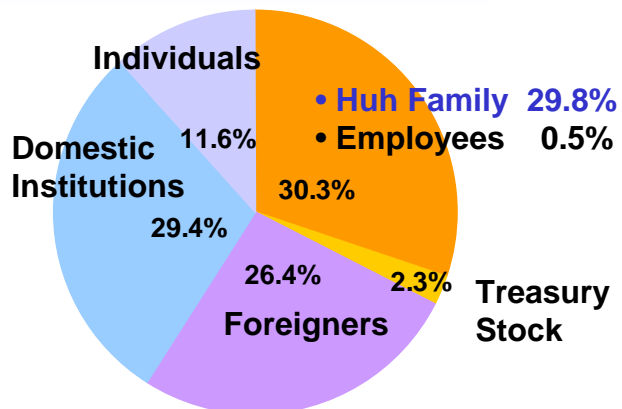
**Architecture**

- Commercial Buildings
- Industrial Factories
- Hotel/Condominium
- Cultural Center
- Hospital

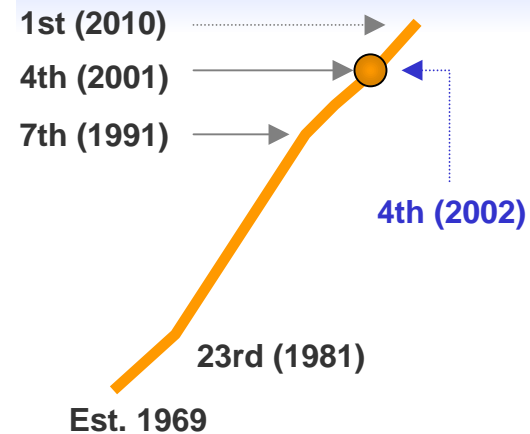
**Housing**

- Residential Buildings
- Apartments
- Officetels

Ownership (as of Feb.28,'03)



Our Ranking





Despite increase of civil orders, it is forecasted that overall construction economy will show slight downturn due to the substantial shrink of non-apartment residential units.

## Forecasting

### Residential market slowdown

- Sharp fall in non-apartment residential units
- Steady in APT

### Steady upward in public sector

- Budget for infrastructure : 4.5% up YoY
- Expanding turnkey base orders

### Fiscal policy to deteriorating economy

- Expected pump priming policy
- Infrastructure rather than residential market

## New Government's Policy

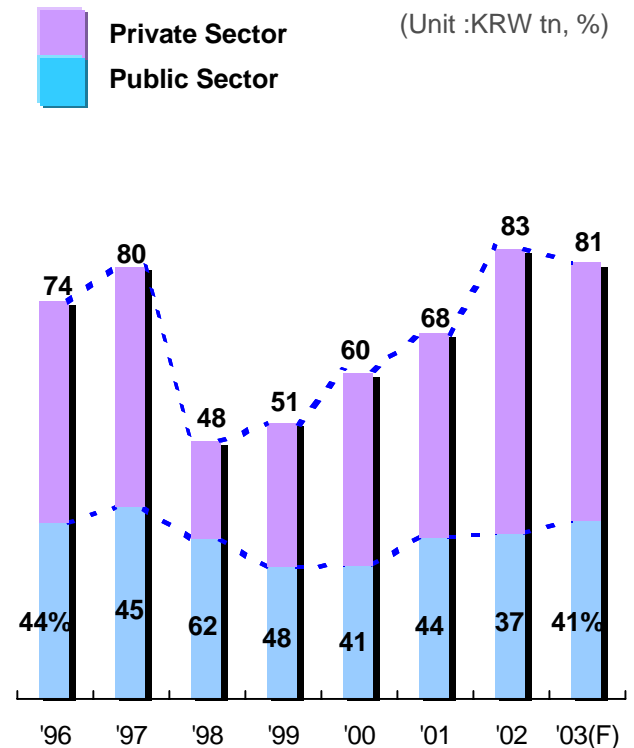
### Residential market

- Expansion of supply & stabilization of price
- Development of new satellite cities

### Infrastructure in public sector

- Transfer of the administrative capital
- Balanced development of the country
- Infrastructure development for business & logistics center of Northeast Asia

## \*Domestic Construction Contract Amount

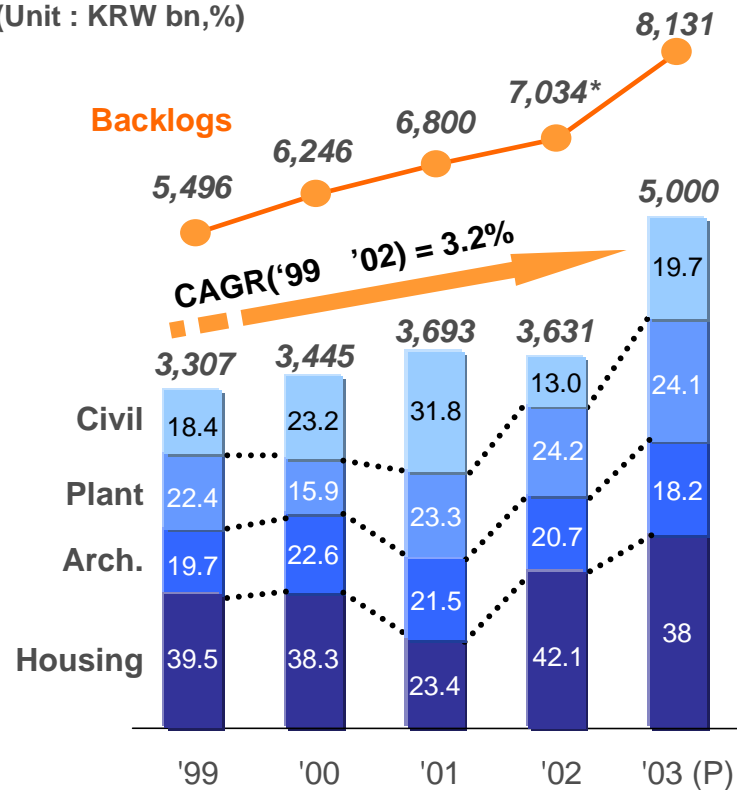


\* Construction & Economy Research Institute of Korea

Management's 2003 targets are to achieve 37% YoY growth of new orders, with 7% YoY increase in sales revenue.

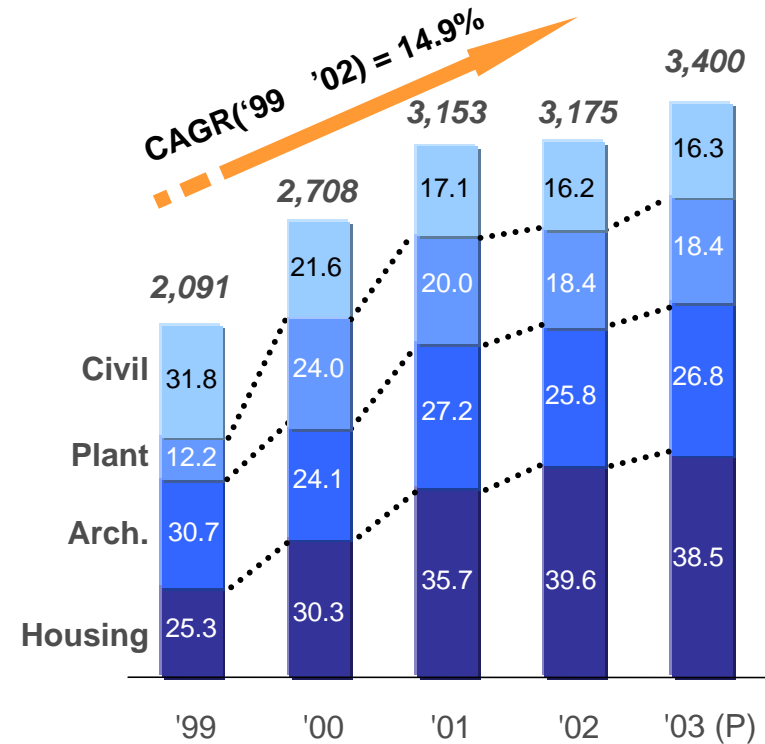
New Orders

(Unit : KRW bn,%)



Sales Revenues

(Unit : KRW bn,%)

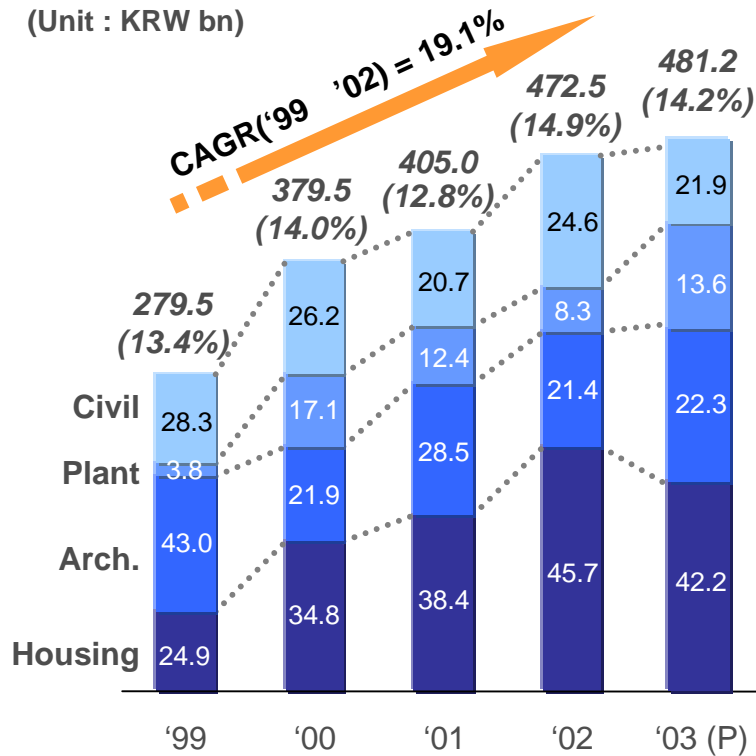


\* excluding W 4.5 trillion worth of provisional orders in housing division.

LG E&C has demonstrated its best profitability and will seek a continuous long term profitable growth.

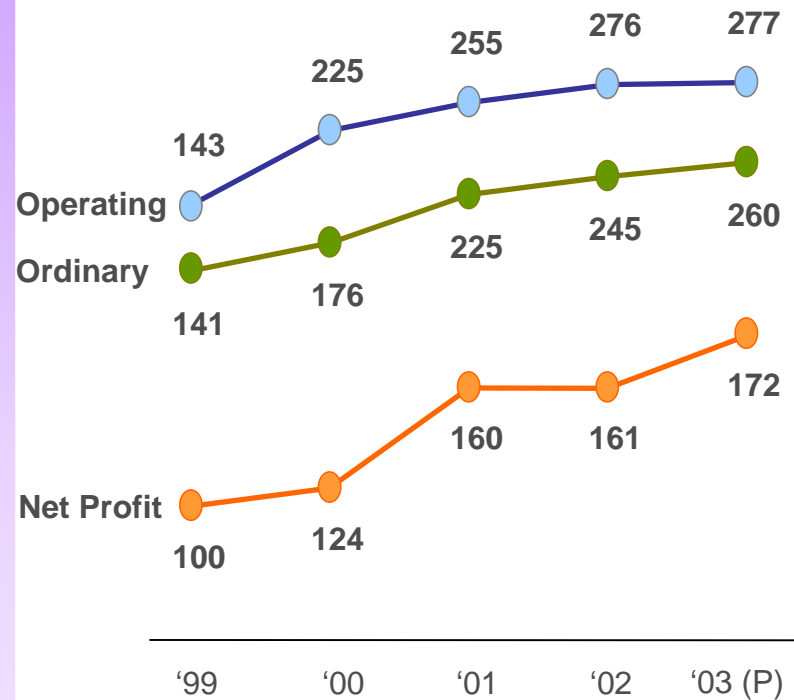
### Gross Profits

(Unit : KRW bn)



### Other Profits

(Unit : KRW bn)



Concentrating on turnkey projects and privately funded infrastructure projects in order to increase orders in public sector.

2003 Focus

Turnkey base orders in public sector

- Task force for each turnkey bidding
- Securing the top tier design companies
- Cooperating with competitors(consortium)
- Increasing participation in bidding
  - 4 projects('02) 17 projects('03)

Privately funded infrastructure projects

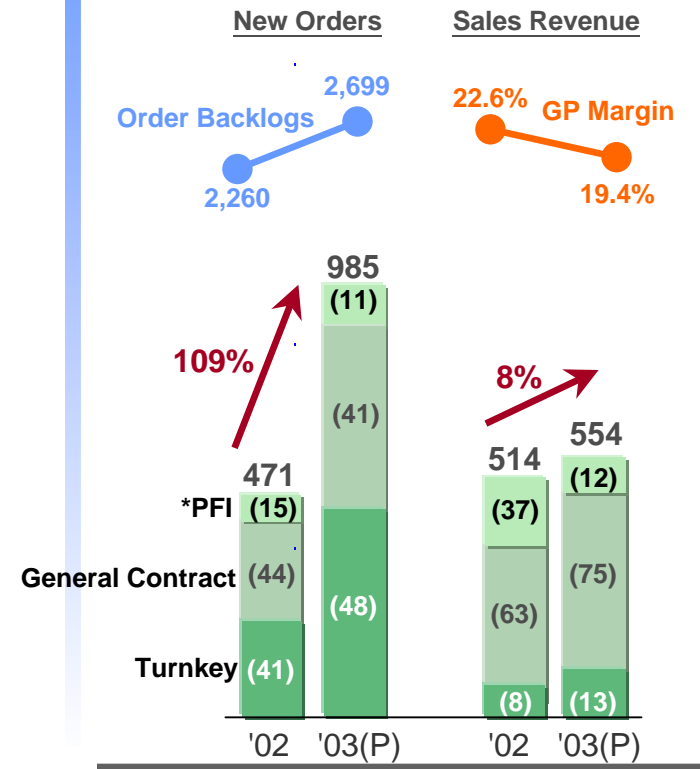
- Diversifying from road to railway, port, etc.
- Investing continuously : W 80 billion(2003)
- Undertaking new projects

Enter into port & harbor construction

- Initiating for Gwangyang port project

Performance & Goal

(Unit : KRW bn,%)



\* Privately Funded Infrastructure projects

Target petrochemical, refinery and gas processing projects for overseas EPC markets, and nuclear power plant and environmental facility projects for domestic markets.

2003 Focus

Overseas gas plant market

- Iran South Pars Gas Project #9&10
  - Total contract amount : US\$ 1.6 billion
  - LG E&C's portion : US\$ 655 million(41%)

(Nuclear) power plant market

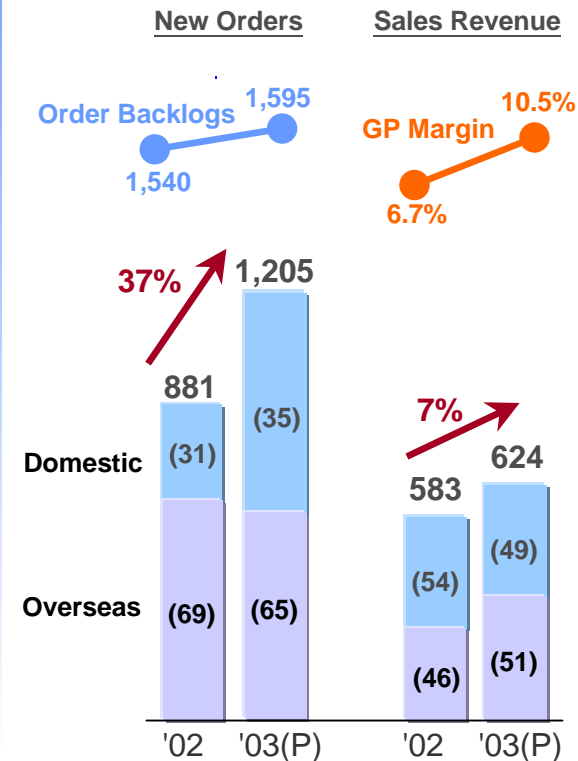
- Entering into nuclear power plant market
  - Singori #1&2 / Sinwolsung #1&2
- Expansion of power plant
  - Incheon combined power plant project

Environmental facility plant market

- Environmental facility of P6 TFT-LCD plant
- Expanding turnkey & PFI project

Performance & Goal

(Unit : KRW bn,%)



Focus on public sector, especially turnkey projects, and establish a strong position for TFT-LCD plant and clean room projects.

2003 Focus

Turnkey base orders in public sector

- Task force for each turnkey bidding
- Increasing participation in bidding
  - Zero('01 '02) 15 projects('03)

TFT-LCD plant(LG-Philips LCD) project

- Unchallenged position in LCD fabrication and clean room area
- P6 project
  - Total contract amount : W 1.2 trillion
  - Project period : Nov. 2002 1H '05
- Paju project
  - Expected to follow P6 project(from 2H '05)
  - Total expected investment : US\$ 10 billion

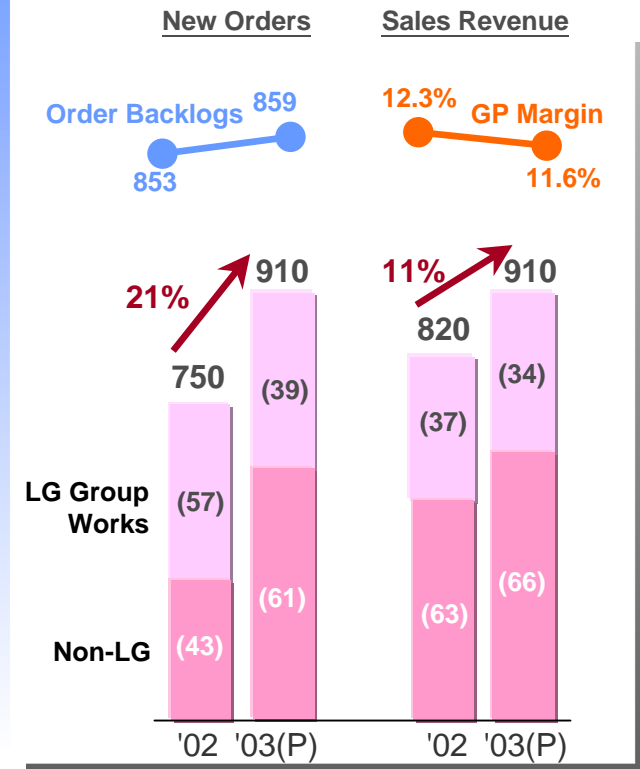
Entering into Chinese market

- TFT-LCD plant project in Nanjing('02)
- LG Beijing Tower project('02)

Market leader in remodeling projects

Performance & Goal

(Unit : KRW bn,%)



Diversifying business from Seoul and its vicinities to provincial area, and taking redevelopment projects more aggressively while enhancing “Xi” brand image.

2003 Focus

Redevelopment

- Redevelopment projects in northern Seoul
- Kumho district #13, Kumho district #17

Diversifying business

- New opportunities in provincial cities
- Developing products with high value-added
- Securing land for in-house projects

Differentiating ‘Xi’ brand power

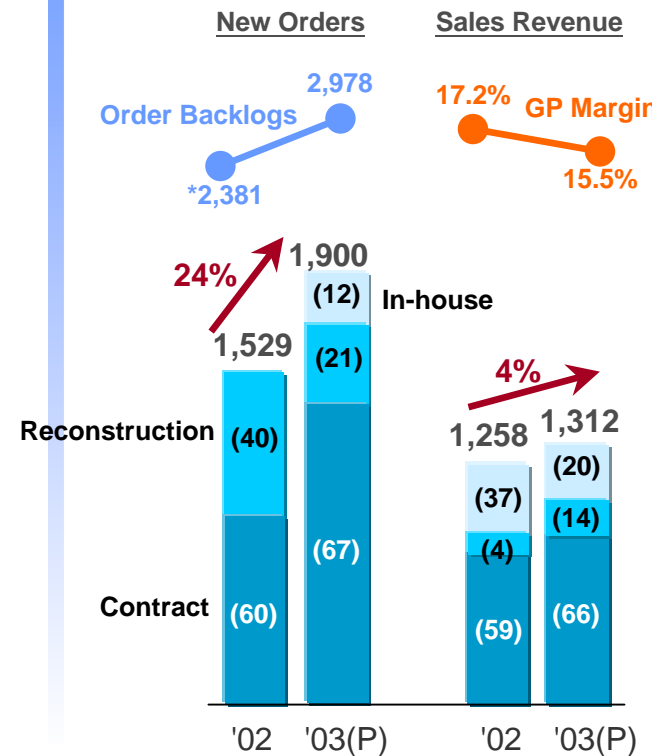
- Continuous advertising
- Securing best quality and service

Increasing supply of housing units

- 6,000 units('02) 13,000 units('03)

Performance & Goal

(Unit : KRW bn,%)



\* Provisional orders W4.5 trillion are not included.

**Steady increase of the total shareholders' equity with increasing retained earnings and the rapid reduction of net debt with our excellent cash flows.**

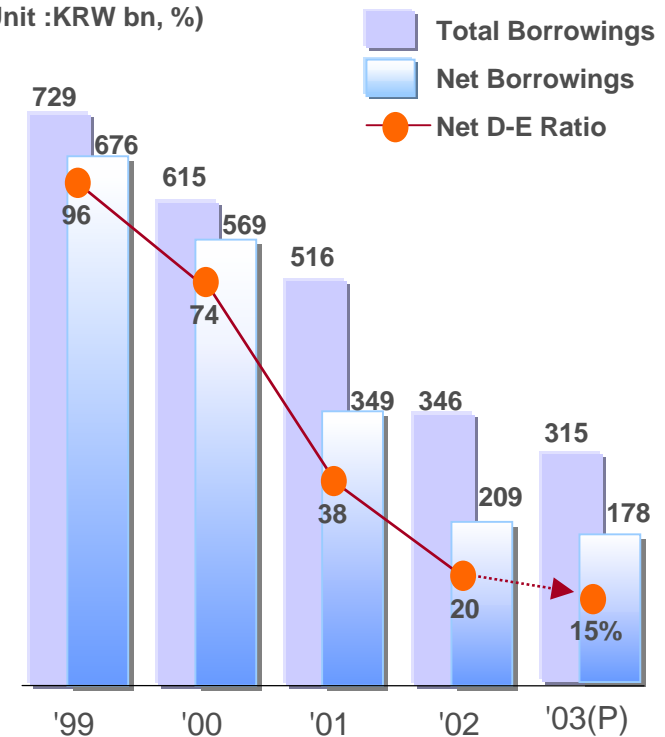
## Financial Structure

(Unit:KRW bn)

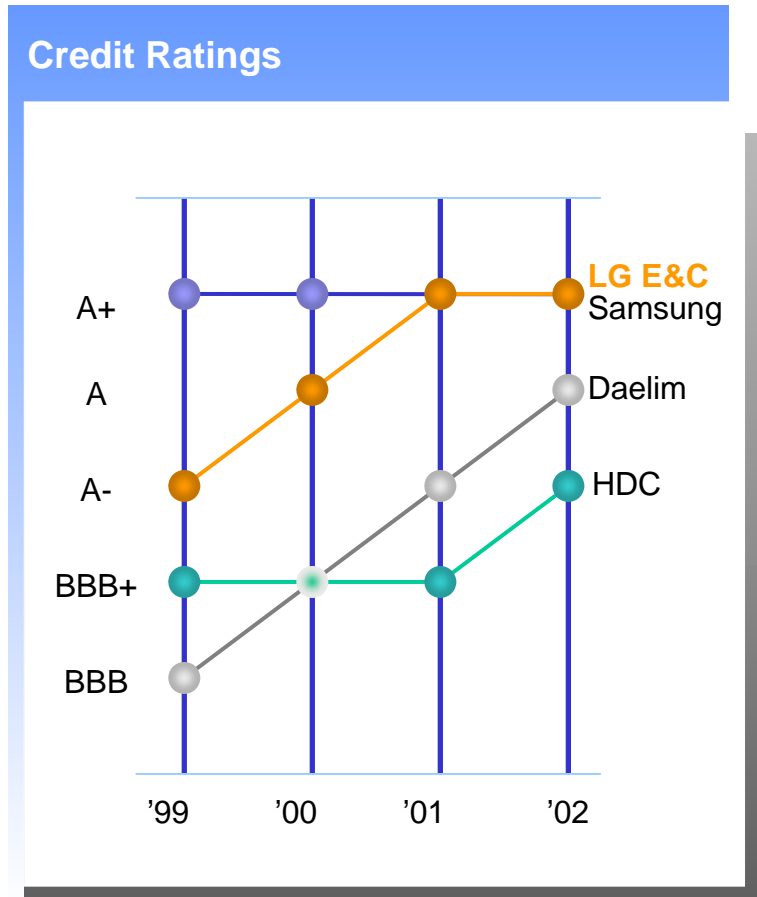
	2001	2002	2003(P)
Total Assets	2,645	2,662	2,596
Total Liabilities	1,713	1,613	1,443
Total Equities	932	1,049	1,153
Capital	255	255	255
Retaining	345	453	554
L.-E Ratio(%)	184	154	125
Asset Turnover Ratio (Times)	1.26	1.20	1.29

## Borrowings

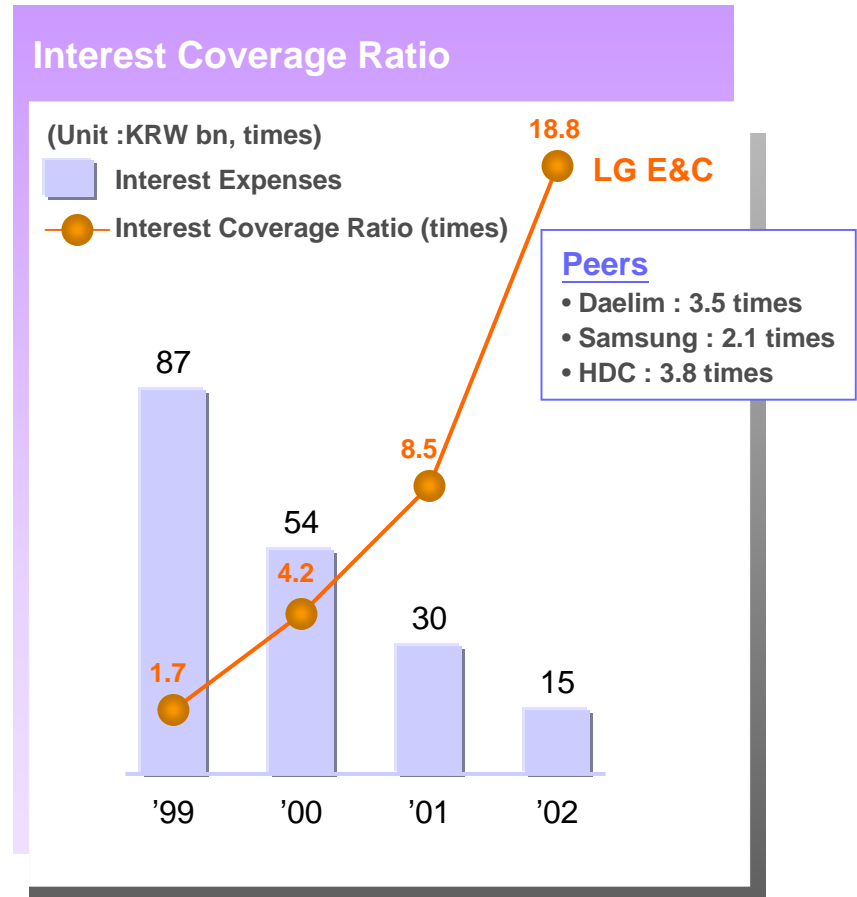
(Unit :KRW bn, %)



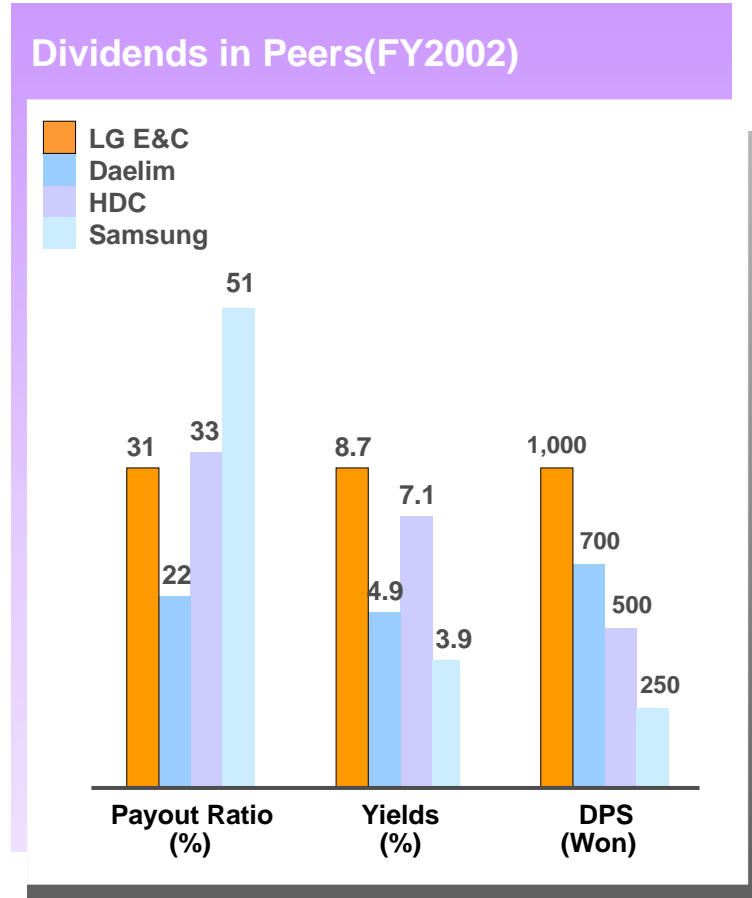
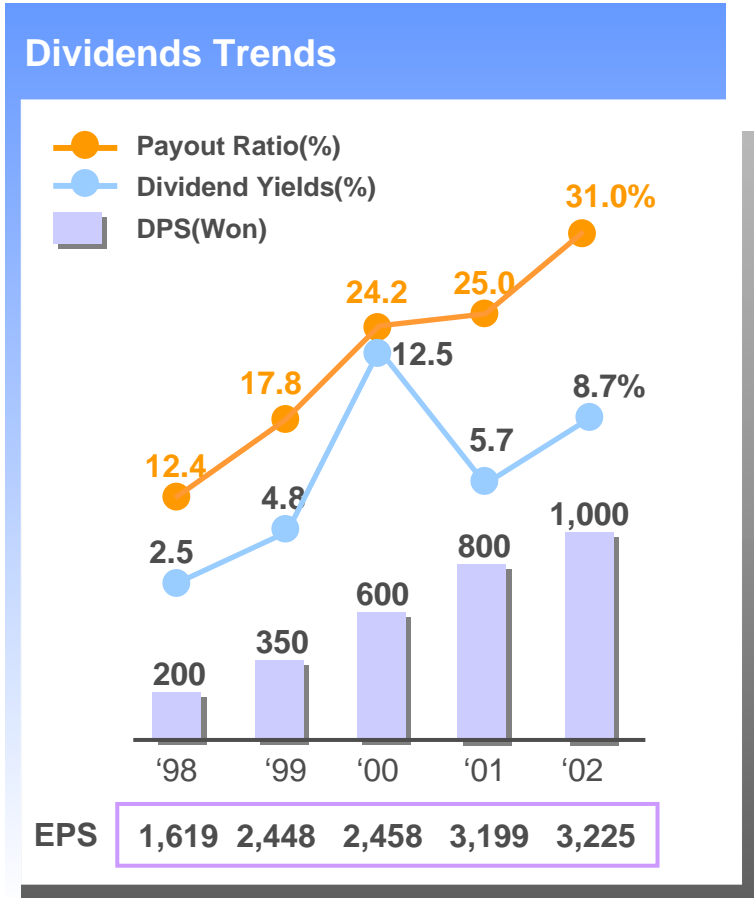
One of LG E&C's competitive advantage is the sound financial structure.



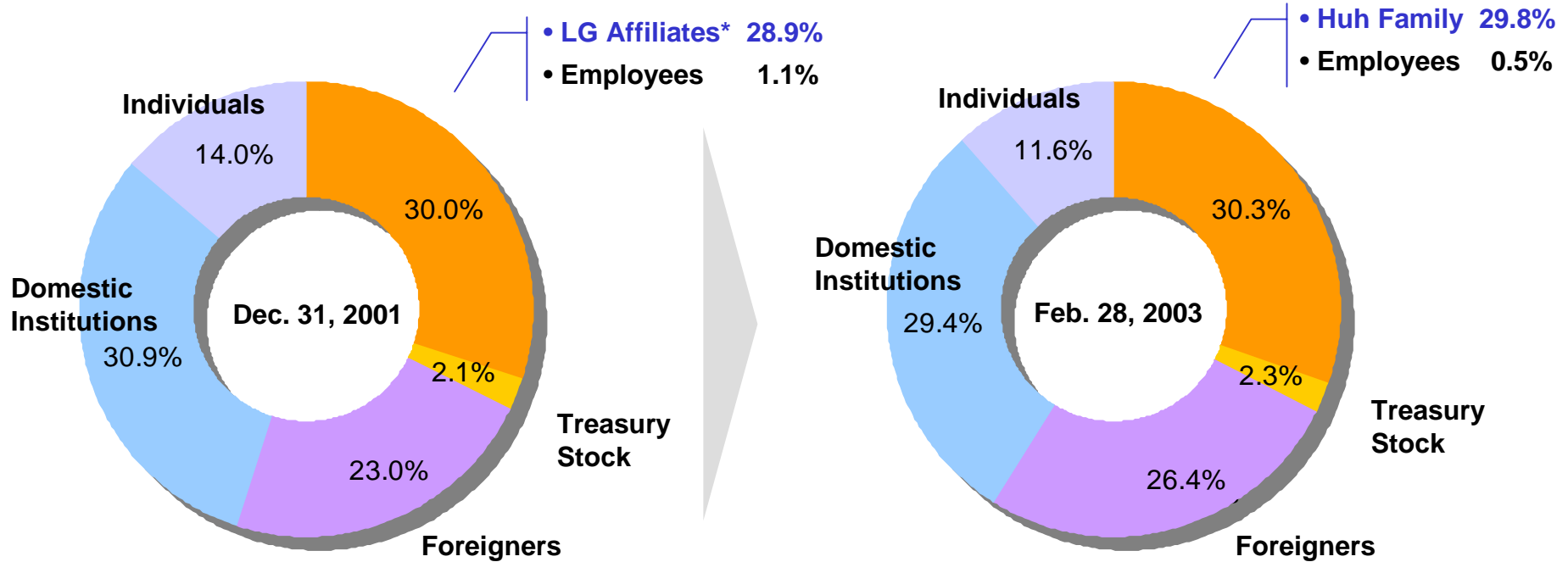
\* Ratings of 3 year corporate bond by NICE, KIS, KMCC



Improving shareholders' value through industry leading dividend policy.

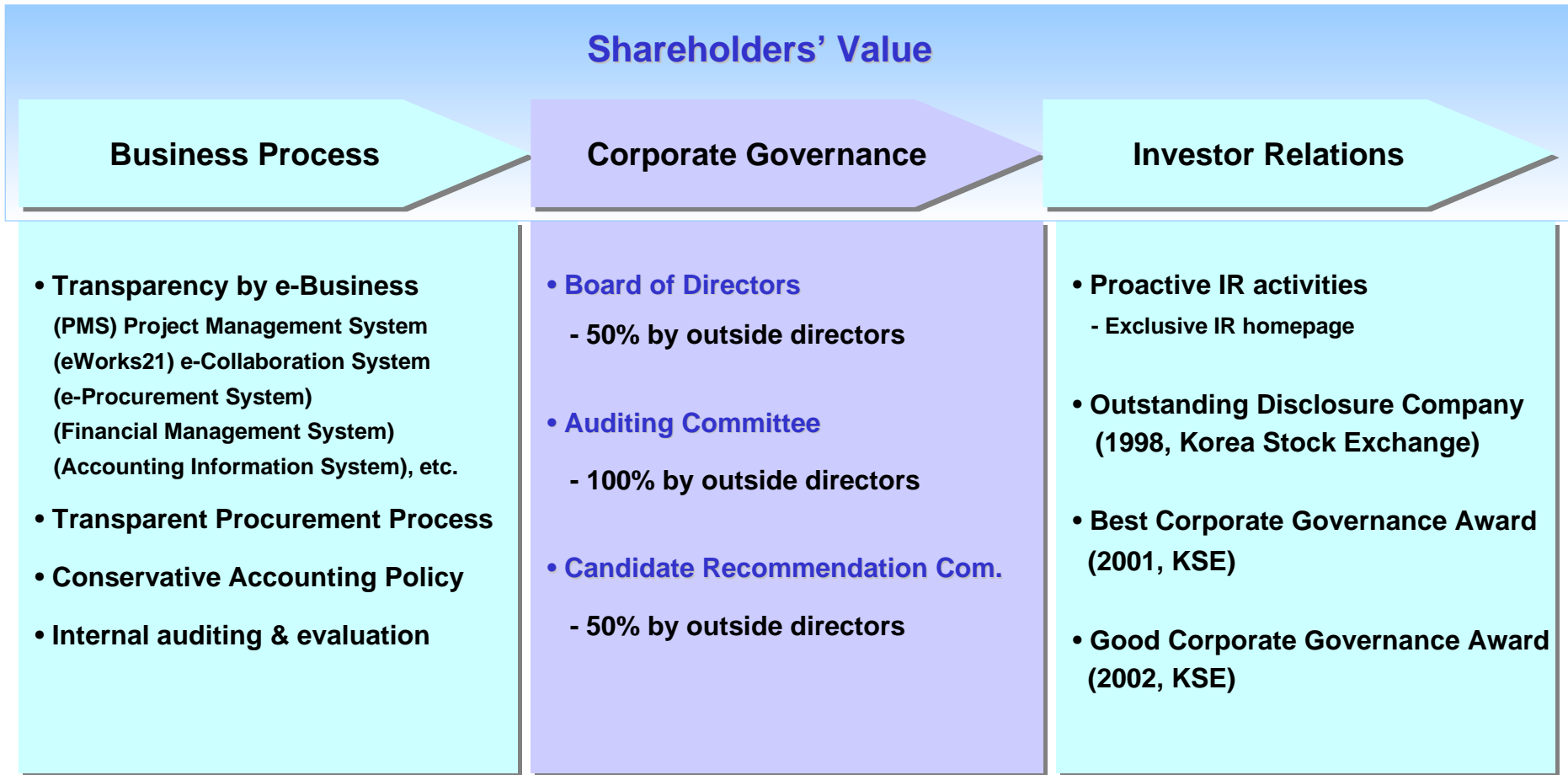


Uncertainty of LGE&C's ownership has been cleared off completely since the end of Feb., 2003.



\*. LG Affiliates : LG CI(10.7%), LG EI(8.6%), LG Cable(4.8%), LG IS(4.8%)

Management is centered around the board of directors, and seek to establish transparent corporate culture through clear business process and proactive IR activities.



- ✓ **Strong Fundamentals**
  - Industry leading ROE & Dividends
  - Long-term profitable growth
  
- ✓ **Diversified & Balanced Business Portfolio**
  - Robust performance despite market downturns
  
- ✓ **Transparent Corporate Management**
  - Best corporate governance
  - Transparent business process & proactive IR

# Appendix

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(KRW bn, %)

Account	'99	'00	'01	1Q.'02	2Q	3Q	4Q
Total Asset	2,421.6	2,378.4	2,644.6	2,802.6	2,531.1	2,535.6	2,661.9
Cash & Deposits	52.6	46.4	166.7	319.4	110.9	89.2	136.3
Trade Receivables <sup>1)</sup>	621.1	462.8	656.0	640.4	698.0	752.5	836.1
Inventories	517.4	533.8	405.7	350.4	262.9	232.8	174.5
Investments	475.6	542.3	647.3	558.4	586.2	612.6	699.6
Tangible Assets	362.0	597.0	592.2	612.5	640.6	639.0	651.6
Total Liabilities	1,715.0	1,610.2	1,712.6	1,848.0	1,584.1	1,544.8	1,613.2
Trade Payables	491.2	466.5	406.7	425.2	447.4	416.8	510.5
Borrowings <sup>2)</sup>	728.9	615.0	516.1	500.4	453.3	361.2	345.6
Total Shareholders' Equity	706.6	768.2	932.0	954.6	947.0	990.8	1,048.7
Capital Stock	255.0	255.0	255.0	255.0	255.0	255.0	255.0
Asset Turnover Ratio	93.4	112.8	126.3	88.5	124.6	116.2	154.9
Liabilities/Equity Ratio	242.7	209.6	183.8	193.6	167.3	155.9	153.8
Net D/E Ratio <sup>3)</sup>	95.7	74.0	37.5	19.0	36.2	27.4	20.0
ROE	19.0	16.8	18.8	14.2	17.7	16.5	18.0

1) Trade Receivables = Trade accounts and notes receivables, net

2) Borrowings = Short-term borrowings + Current long-term debts + Debentures + Long-term borrowings

3) Net Debt = Borrowings - Cash & Deposits

(KRW bn, %, times)

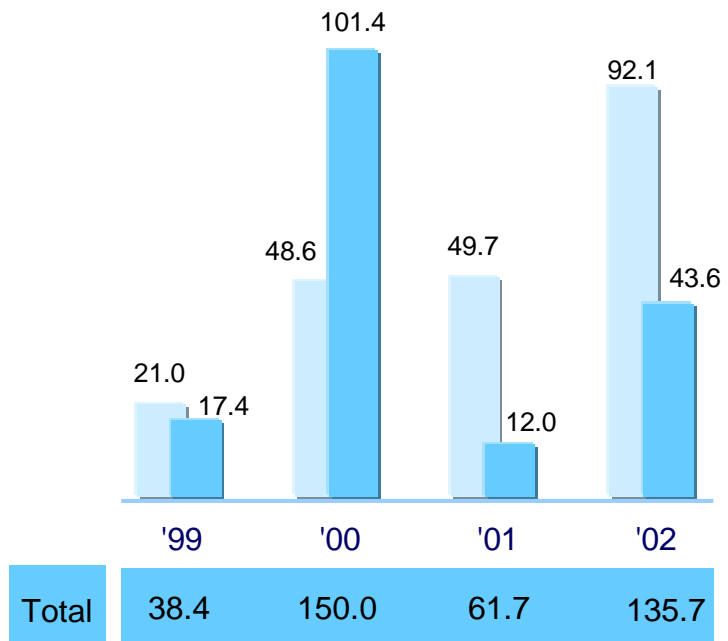
Account		'99	'00	'01	'02	4Q.'01	1Q.'02	2Q	3Q	4Q
Sales Revenue	Civil	664.2	584.1	540.1	514.4	166.6	87.6	146.1	105.2	175.5
	Plant	257.4	649.5	631.1	582.9	129.5	114.2	109.9	159.7	199.1
	Housing	528.1	821.2	1,125.7	1,257.5	333.1	266.1	360.0	262.4	369.0
	Arch.	640.9	653.1	856.2	819.7	205.8	134.1	214.6	208.4	262.6
	Total	2,090.6	2,707.9	3,153.1	3,174.5	835.0	602.0	830.6	735.7	1,006.2
Gross Profit		279.5	379.5	404.9	472.5	109.2	72.4	143.4	89.2	167.5
Operating Income		143.3	225.4	254.8	276.1	65.7	42.4	91.6	46.3	95.7
Ordinary Income		140.8	176.2	224.8	245.1	70.2	48.0	62.6	49.6	84.9
Net Income		99.8	123.7	159.6	160.7	52.6	32.7	42.1	40.1	45.8
Sales Growth Rate <sup>1)</sup>		2.4	29.5	16.4	0.7	8.7	-27.9	38.0	-11.4	36.8
Operating Income Growth Rate <sup>1)</sup>		29.7	57.3	13.0	8.4	15.9	-35.5	116.0	-49.5	106.7
Operating Margin		6.9	8.3	8.1	8.7	7.9	7.0	11.0	6.3	9.5
Interest Coverage		1.7	4.2	8.5	18.8	13.1	10.9	28.2	14.5	22.3
Interest Expense Ratio		4.1	2.0	1.0	0.5	0.6	0.6	0.4	0.4	0.4
EPS(₩)		2,448	2,458	3,199	3,225	4,125	2,565	3,304	3,141	3,595

Note 1) Quarterly Growth Rate is compared with previous quarter

Account	(KRW bn)			
	1999	2000	2001	2002
<b>Operating Cash Flows</b>	215.4	297.9	306.4	324.9
Net income	99.8	123.7	159.6	160.7
Non-cash expenses	74.5	82.2	67.3	103.4
Non-cash income	(75.0)	(17.5)	(7.3)	(2.4)
Decrease(Increase) in working capital	116.0	109.5	86.8	63.2
<b>Investing Cash Flows</b>	89.4	(107.1)	(29.7)	(129.4)
Acquisition of investment sec. for PFI projects	(36.8)	(80.0)	(15.7)	(48.1)
CAPEX	(21.0)	(48.6)	(49.7)	(92.1)
Others	147.2	21.5	35.7	10.8
<b>Free Cash Flows</b>	304.8	190.8	276.7	195.5
Debt payment	(254.9)	(113.8)	(98.9)	(170.5)
Dividends payout	(3.7)	(17.7)	(30.0)	(39.9)
<b>Cash and cash equivalents at the end of the year</b>	24.4	11.0	153.2	132.8

Investment Trend

■ CAPEX  
■ Investment Securities  
 (unit :KRW bn)



\* All figures are net amounts

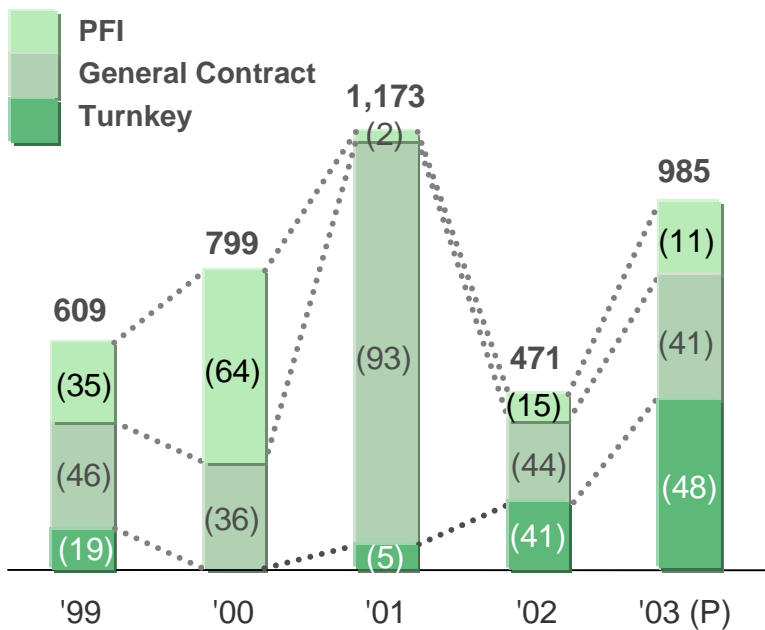
2003 Investment Plan

(unit :KRW bn)

Description	Amount
PFI	80.0
Land	50.0
Resort	50.0
IT & R&D	20.0
<b>Total</b>	<b>200.0</b>

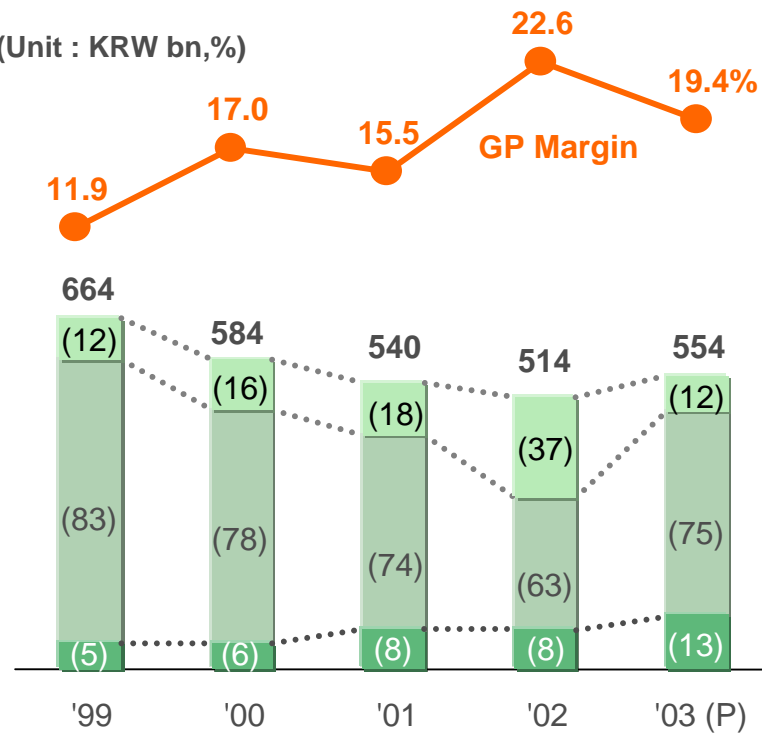
### New Orders

(Unit : KRW bn,%)



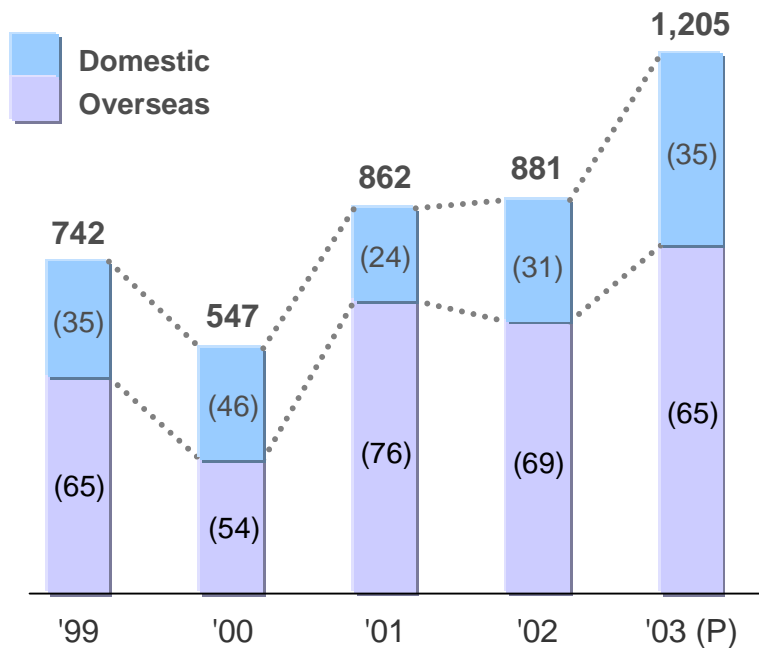
### Sales Revenues & Gross Margin

(Unit : KRW bn,%)



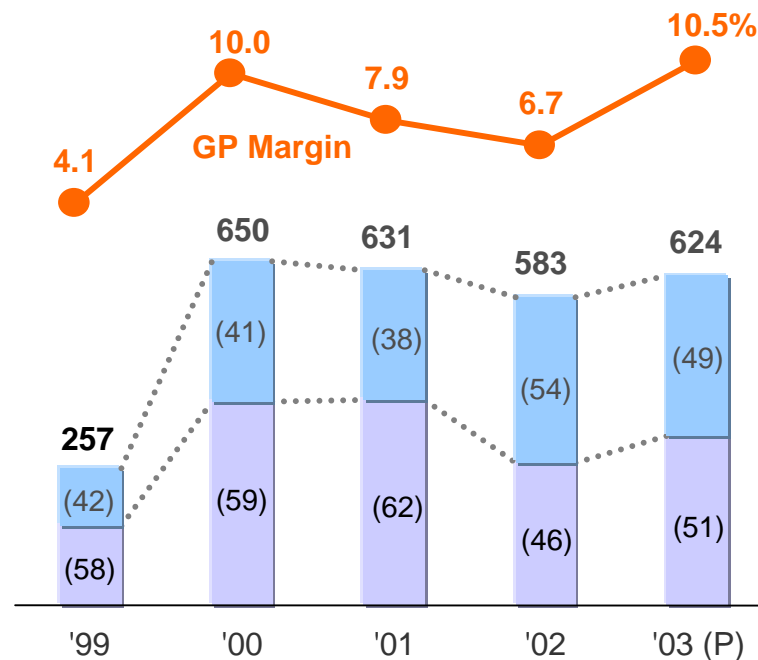
### New Orders

(Unit : KRW bn,%)



### Sales Revenues & Gross Margin

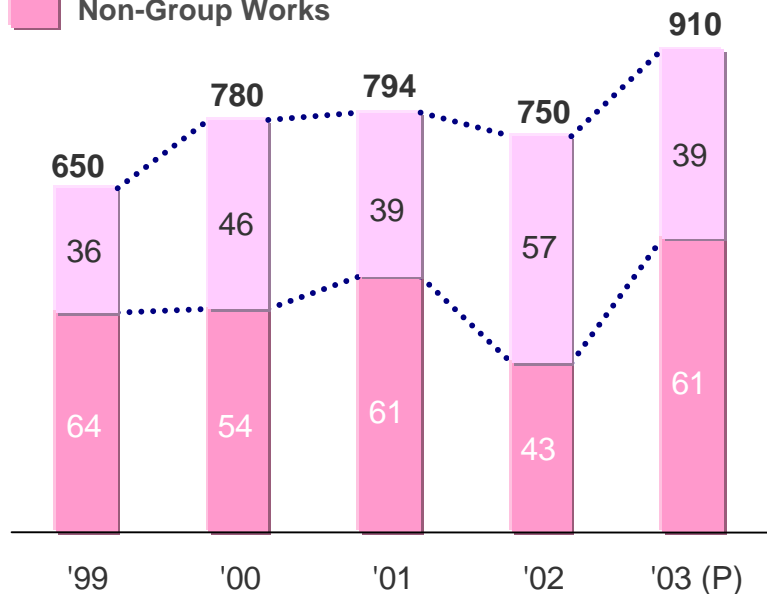
(Unit : KRW bn,%)



### New Orders

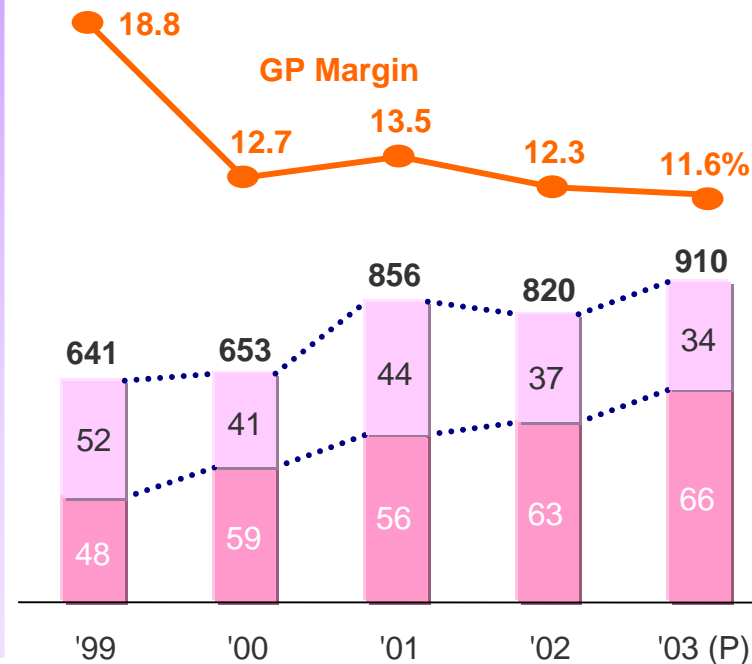
(Unit : KRW bn,%)

Group Works  
Non-Group Works



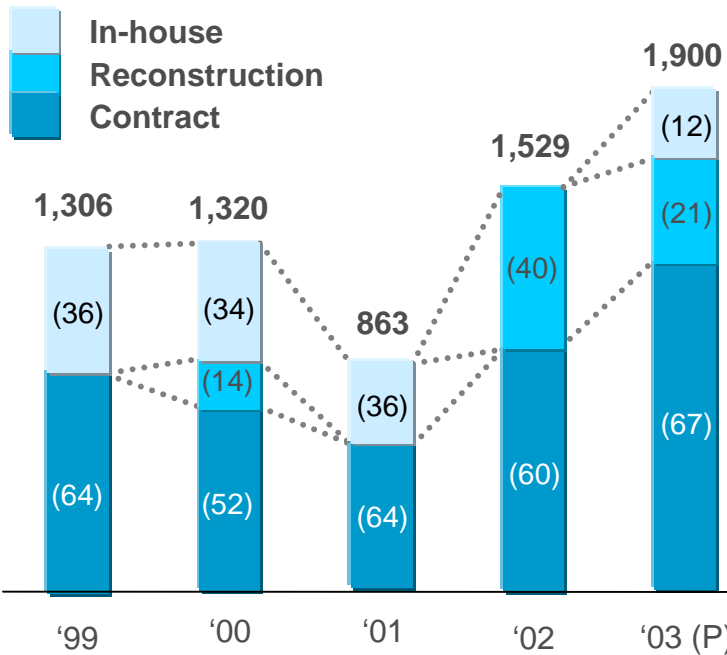
### Sales Revenues & Gross Margin

(Unit : KRW bn,%)



### New Orders

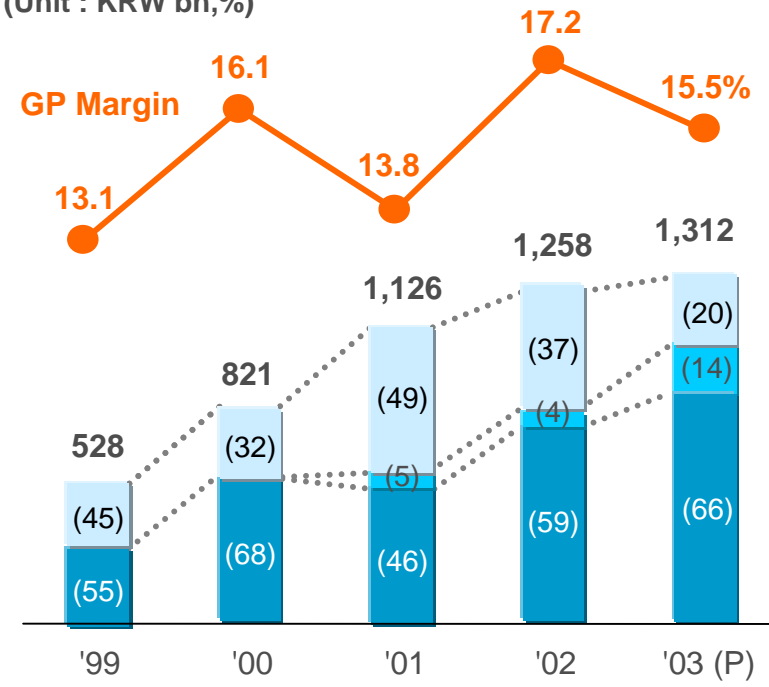
(Unit : KRW bn,%)



\* KRW 4.5 trillion of provisional orders are not included.

### Sales Revenues & Gross Margin

(Unit : KRW bn,%)



As of Dec.31, 2002

(KRW bn)

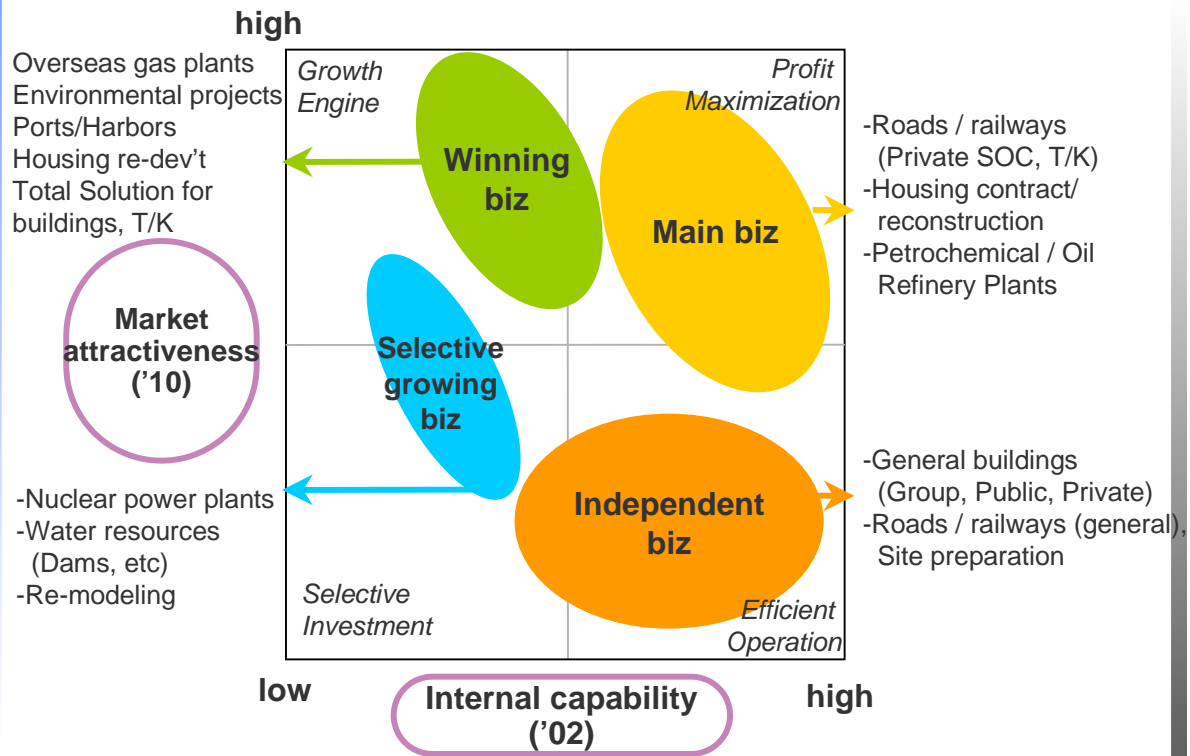
Name of Project	Consortium Leader	LG Shares (%)	Investment Plan	Invested	Contract Amount
* New Airport Highway	Samsung	5	21.7	21.7	117.7
* Chonan-Nonsan Highway	LG	25	112.5	112.5	332.0
* Daegu East Beltway	Kolon	14.5	8.7	8.7	30.1
Daegu West-North Road	Kolon	15.1	3.3	3.3	7.1
Cholmasan Tunnel	-	Sold (Nov.,02)	-	-	18.4
Sub-Total			146.2	146.2	505.3
Seoul Beltway	LG	27	124.2	52.7	369.2
Manwolsan Tunnel	Daelim	15	5.0	4.3	14.5
Kangnam Beltway	Doosan	11.5	26.7	1.0	75.3
Sub-Total			155.9	58.0	459.0
Total			302.1	204.2	964.3

Investment completed ( \* . Under operation )

Under Investment

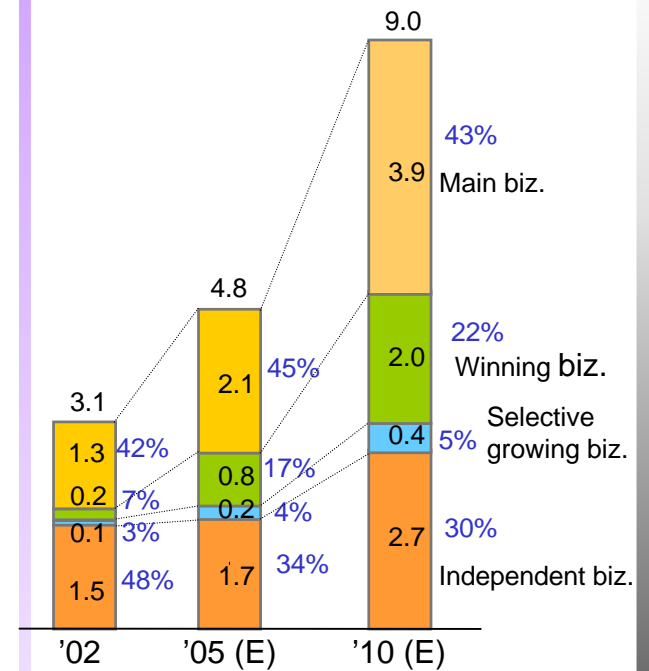
As of Dec. 31, 2002				(Unit : KRW bn., unit)
Appointed Date	Region	Contract Type	Sales Revenue(E)	Remarks
Feb. 2000	Gaepo #4, Seoul	Single	467.0	Reconstruction
Jun. 2000	Mapo, Seoul	Single	117.0	Reconstruction
Aug. 2000	Jamsil #5, Seoul	Consortium(LG, Samsung, HDC)	367.0	Reconstruction
Nov. 2000	Banpo, Seoul	Single	117.0	Reconstruction
Dec. 2000	Yoido, Seoul	Single	200.0	Approved in 1H '03
Mar. 2001	Gwangmyung, Gyeonggi	Consortium(LG, Samsung)	170.0	Reconstruction
Mar. 2001	Cheongdam, Seoul	Single	96.0	Reconstruction
Nov. 2001	Banpo #3, Seoul	Single	670.0	Reconstruction
Mar. 2002	Godeok #2, Seoul	Consortium(LG, Samsung)	331.0	Reconstruction
Apr. 2002	Noryangjin, Seoul	Single	45.0	Redevelopment
Apr. 2002	Singil #5, Seoul	Single	18.0	Redevelopment
Apr. 2002	AID, Busan	Consortium(4 companies)	105.0	Reconstruction
Jul. 2002	Poil, Gyeonggi	Single	370.0	Reconstruction
Jul. 2002	Eunma, Seoul	Consortium(LG, Samsung)	365.0	Reconstruction
Sep. 2002	Singil #9, Seoul	Single	58.0	Redevelopment
Oct. 2002	Yeonji, Busan	Single	47.0	Redevelopment
Dec. 2002	Gansuk, Incheon	Single	140.0	Reconstruction
2001	Deokpoong, Gyeonggi	Single	90.0	Contract
2001	Bojeong, Gyeonggi	Single	95.0	Contract
2002	Sinbong, Gyeonggi	Single	86.0	Contract
2002	Wondang, Incheon	Single	60.0	Contract
2002	Mabuk, Gyeonggi	Single	63.0	Contract
2002	Cheongam	Single	60.0	Contract
2002	Paju, Gyeonggi	Single	165.0	Contract
2002	Bupyong, Incheon	Single	83.0	Contract
2002	Samseong, Daejeon	Single	117.0	Contract
<b>Total</b>			<b>4,502.0</b>	

Biz Portfolio Matrix (2002 2010)



Sales Revenues by Biz. Sectors

(Unit :KRW tn)





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