

# Business Plan for 2005

e n g i n e e r i n g & c o n s t r u c t i o n



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**LG Engineering & Construction Corp.**

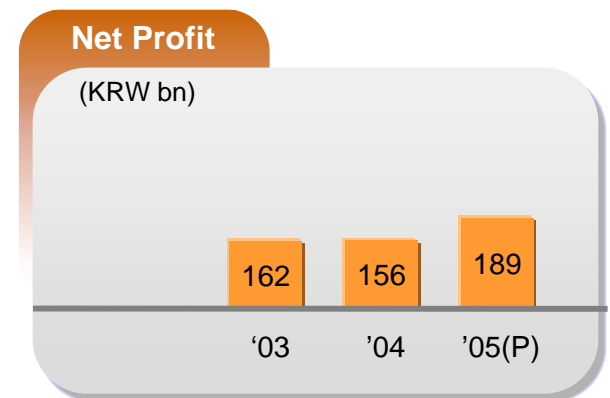
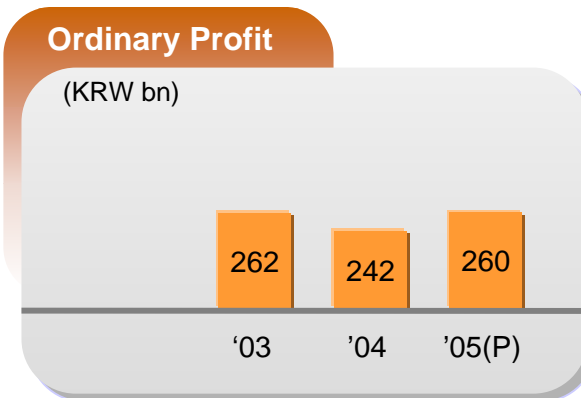
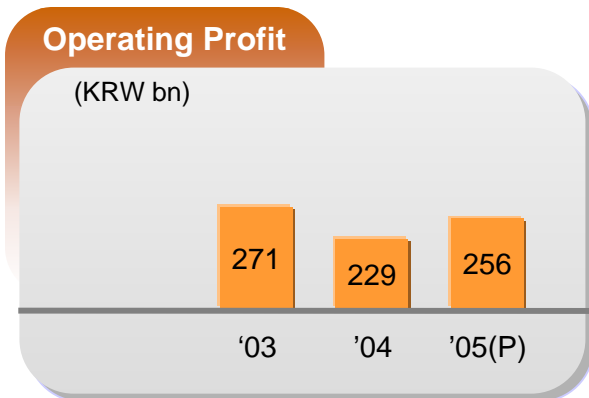
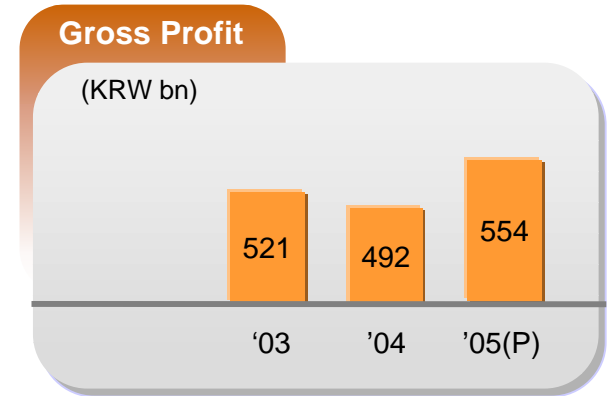
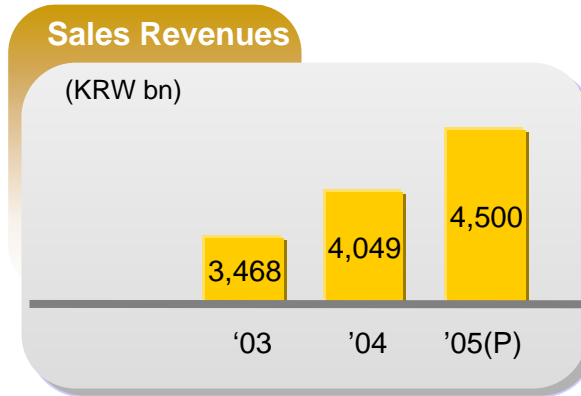
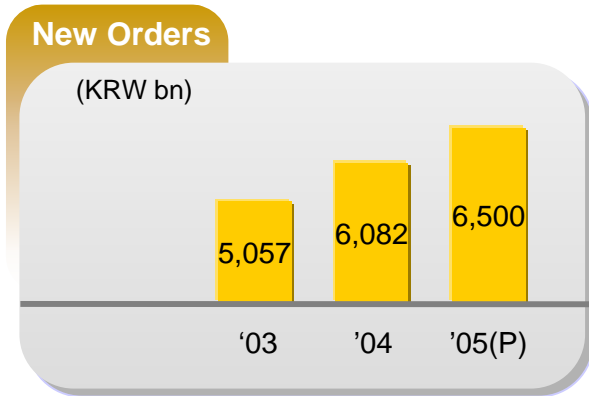
## Table of Contents

1. Highlights
  2. Business Plan for 2005
- \* Appendix

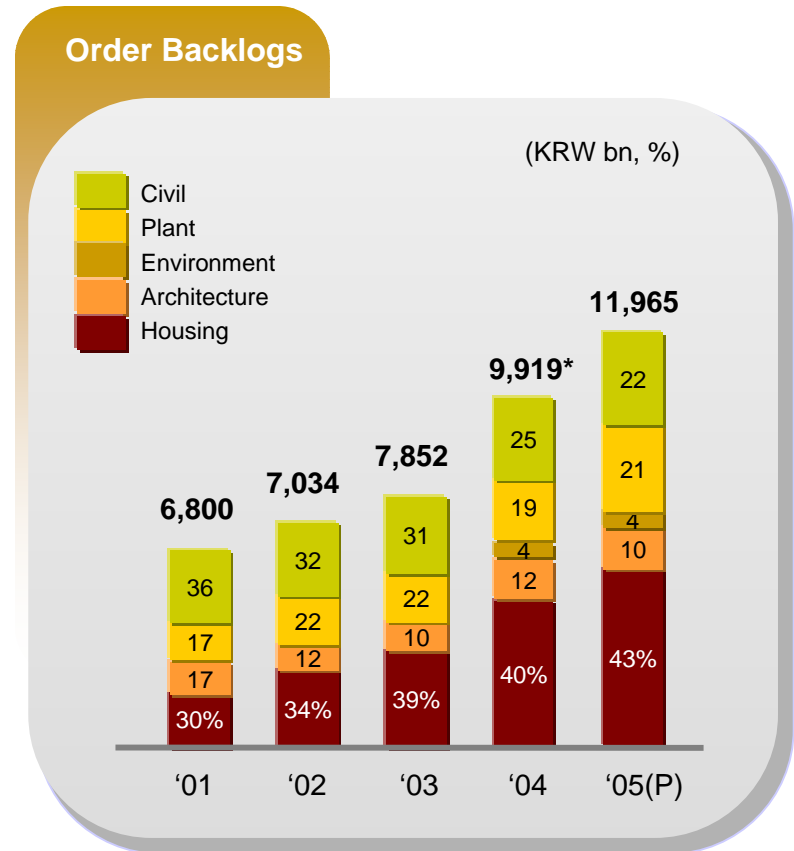
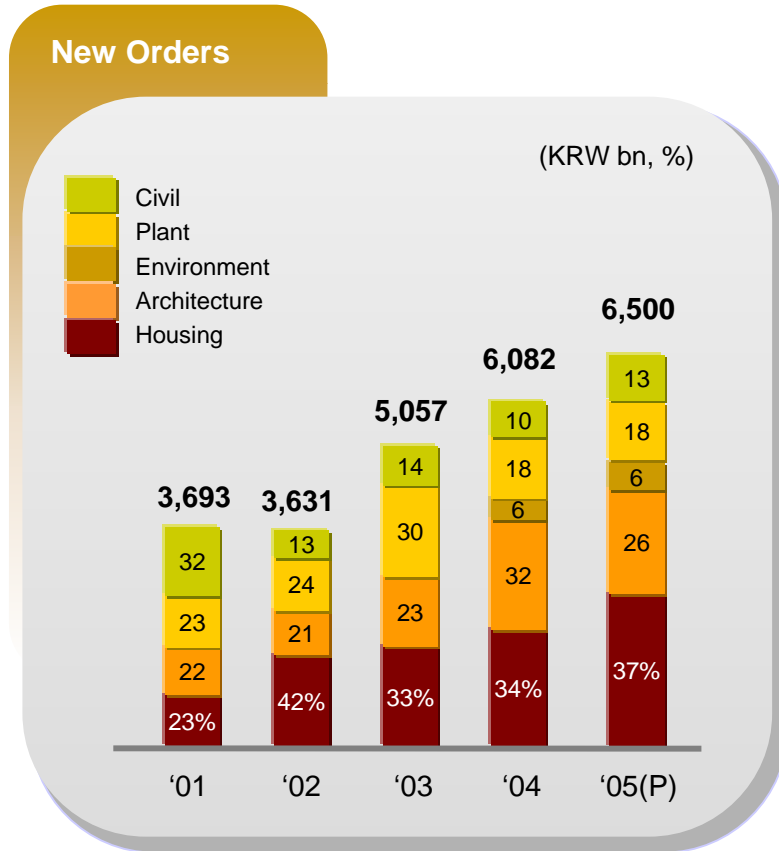
This material contains forward-looking statements that include our current beliefs and expectations on market factors and information obtained outside LG E&C, which are subject to uncertainties. Due to the volatility of these factors, actual results may differ from those set forth in the presented statements. Information found here should not be solely relied upon for making any investment decision, this material is provided as a reference purpose only for the investors. LG E&C shall not be responsible for any trading or investment decisions made based on this information.

# 1. Highlights

There is a continuous increase in new orders and sales revenues, and we aim to maintain a profitable growth through “Select & Focus” strategy for each segmented business.

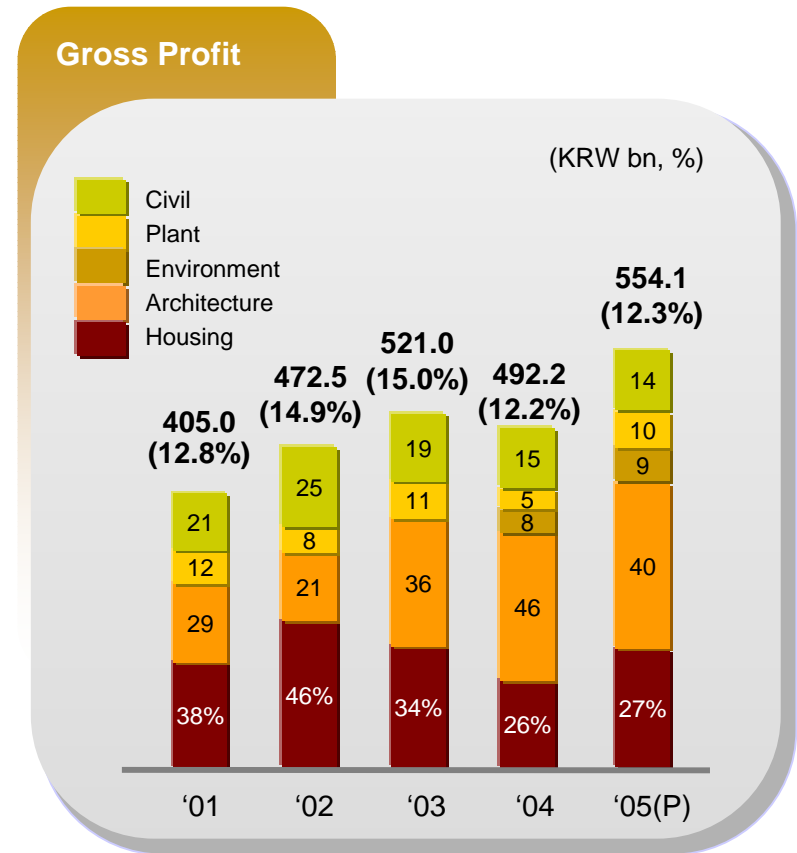
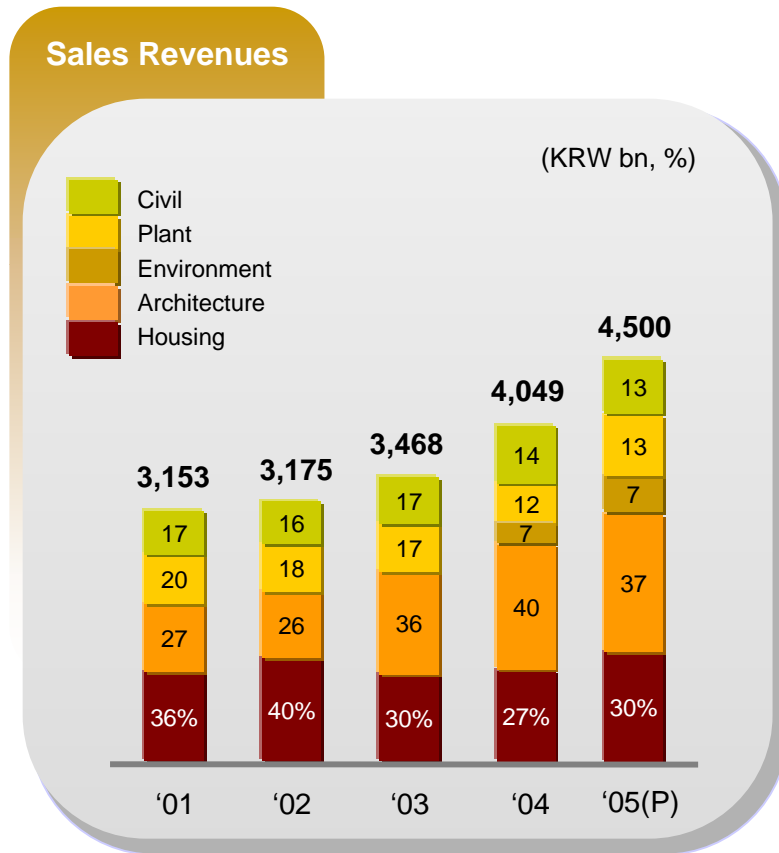


Regardless of the slowdown in construction market, new orders and order backlogs have highly increased thanks to our balanced business portfolio and abundant affiliate works.



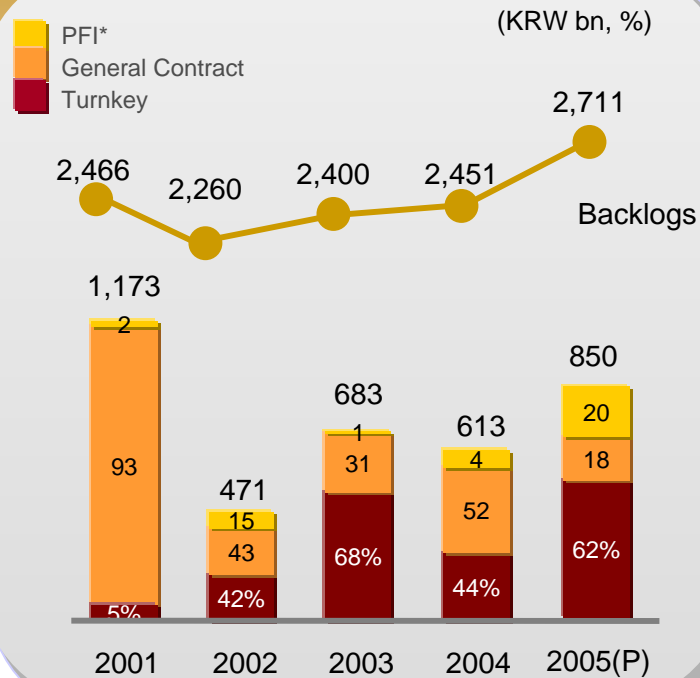
\* Approximately W11 trillions of provisional order backlogs not included.

Gross margin is impacted negatively by the raw material price hikes, however, sales revenues increases substantially due to the favorable performance of affiliate works.



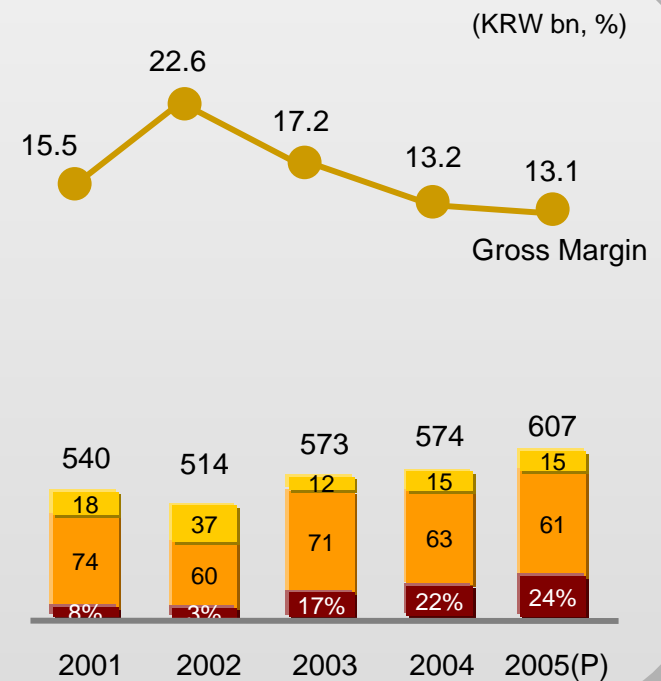
Seeking opportunities for new PFI projects by disposal of our stakes in the completed PFI projects and continuously focusing on securing more new orders from public turnkey projects.

### New Orders & Order Backlogs



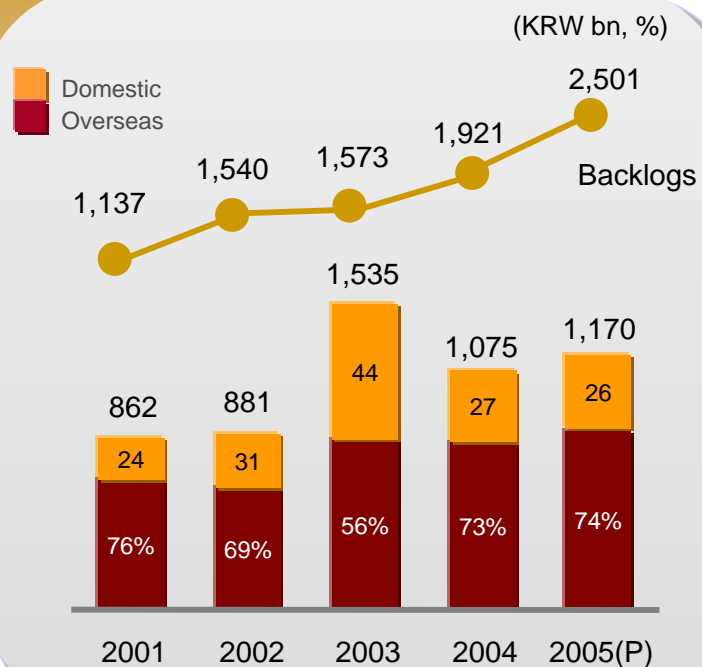
\*PFI : Privately Funded Infrastructure

### Sales Revenues & Gross Margin

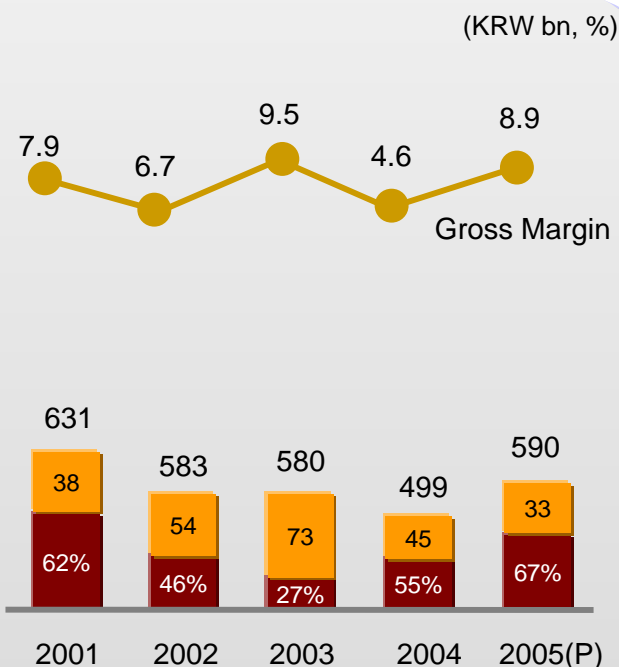


New orders from oil producing countries are to be increased thanks to the recent oil price hikes and we also expect a big jump in new orders and sales revenues from overseas projects.

### New Orders & Order Backlogs



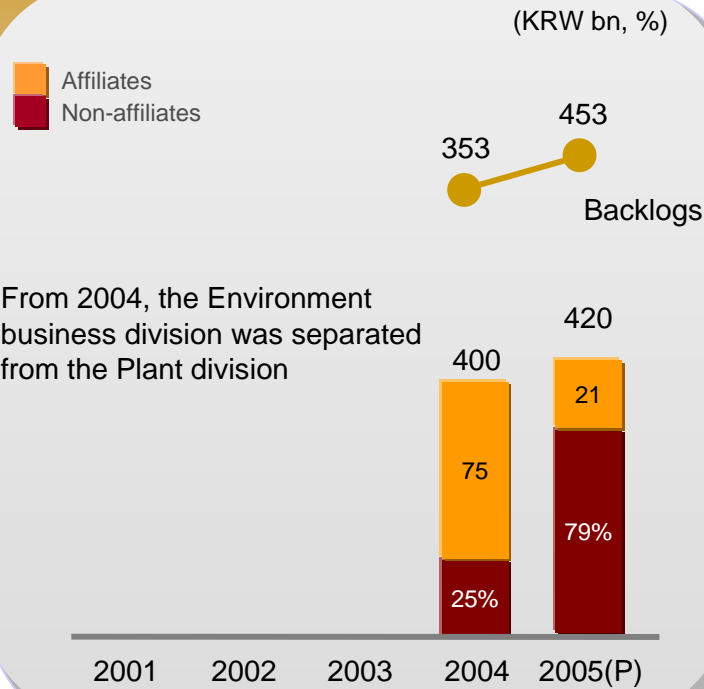
### Sales Revenues & Gross Margin



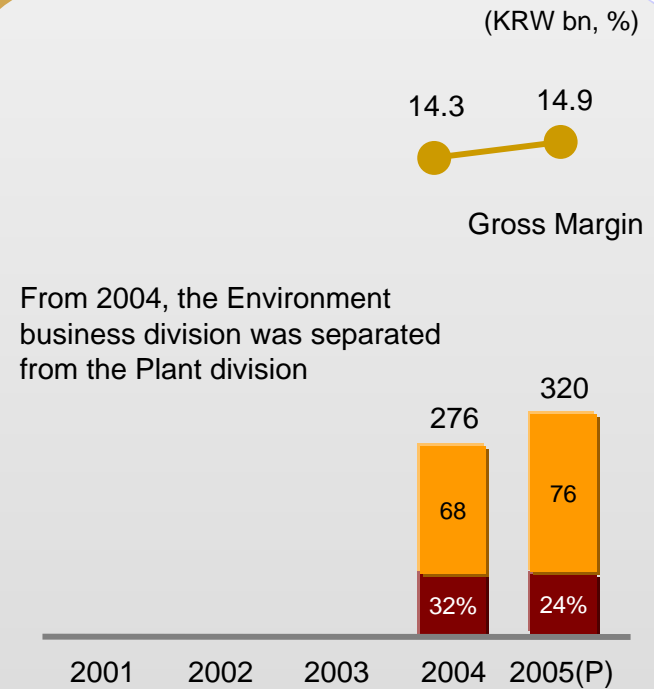
\* From 2004, the Environment business division was separated from the Plant division

Focusing on public turnkey and PFI projects. The contribution of sales revenues from affiliate works like a TFT-LCD factory construction is to be increased.

New Orders & Order Backlogs

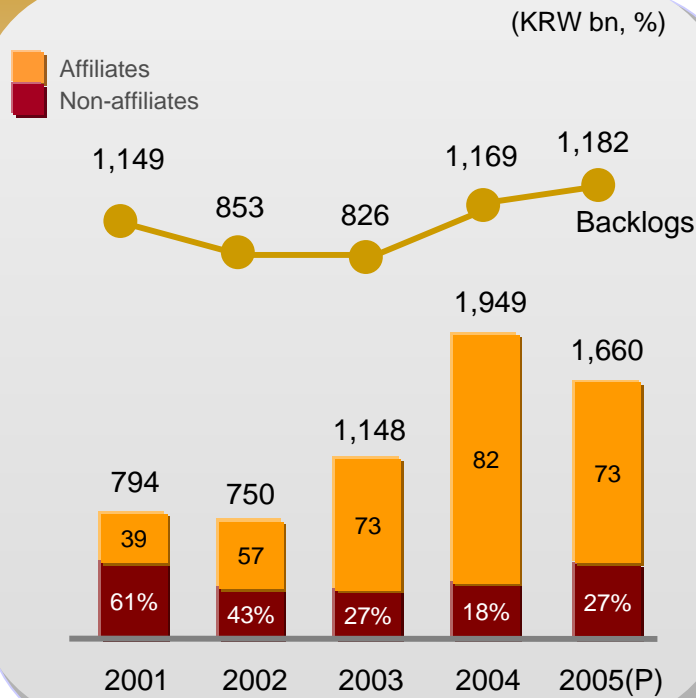


Sales Revenues & Gross Margin

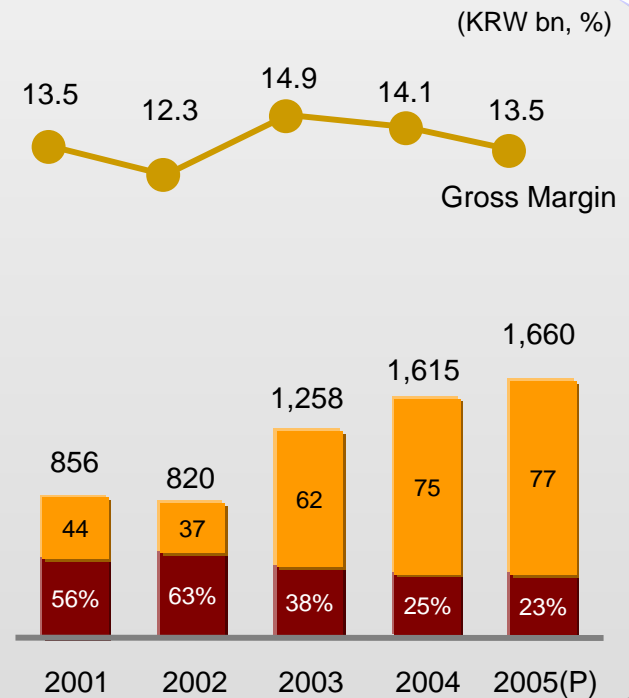


New orders from affiliates will continuously increase and sales revenues will also steadily increase mainly due to the fast progress in TFT-LCD P7 project.

New Orders & Order Backlogs

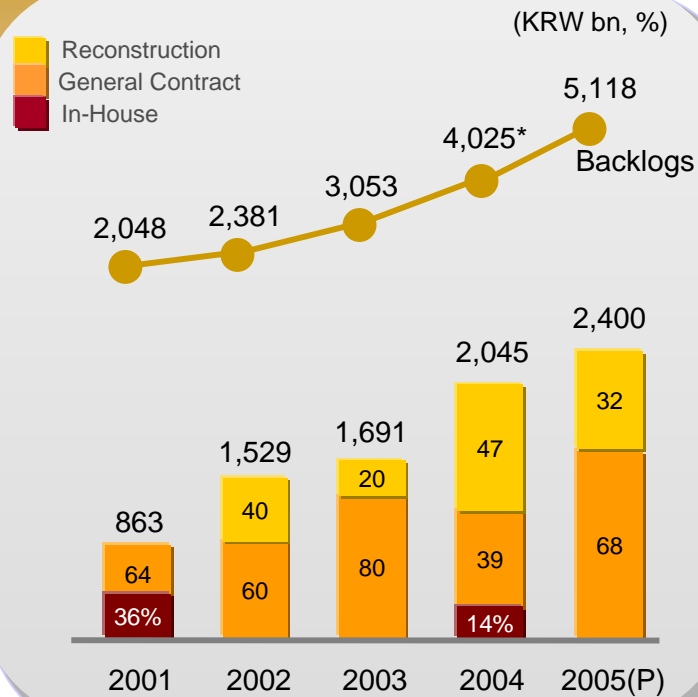


Sales Revenues & Gross Margin

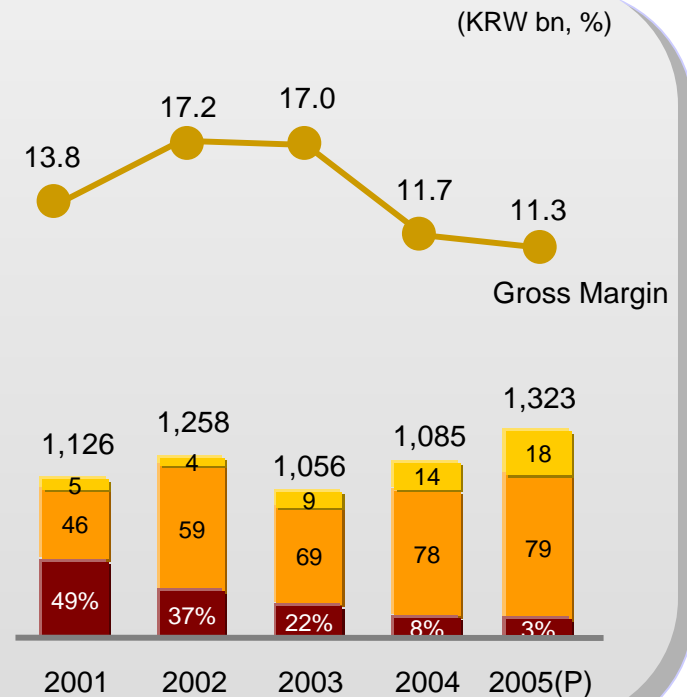


New orders and sales revenues will grow substantially with reconstruction and general contract projects. And LG E&C will expand its market share continuously in housing market.

### New Orders & Order Backlogs



### Sales Revenues & Gross Margin



\* Approximately W11 trillions of provisional order backlogs not included. (As of 2004)

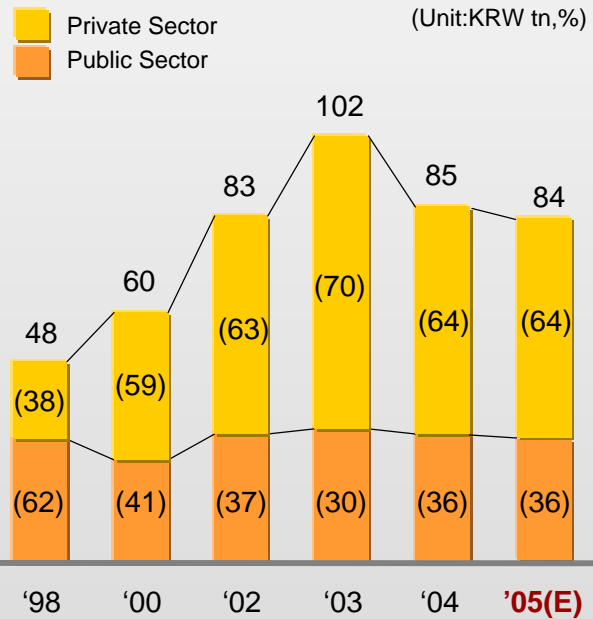


## Appendix

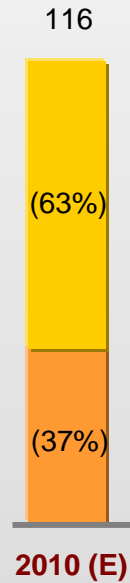
- ✓ **Market Overview**
- ✓ **Solid Earnings from Affiliates**
- ✓ **Dividend & Ownership**
- ✓ **Financials**
- ✓ **Investments**
- ✓ **PFI Projects**
- ✓ **Major Material Prices**
- ✓ **Growth Rate of Housing Price**
- ✓ **Balance Sheet (Summary)**
- ✓ **Income Statement (Summary)**



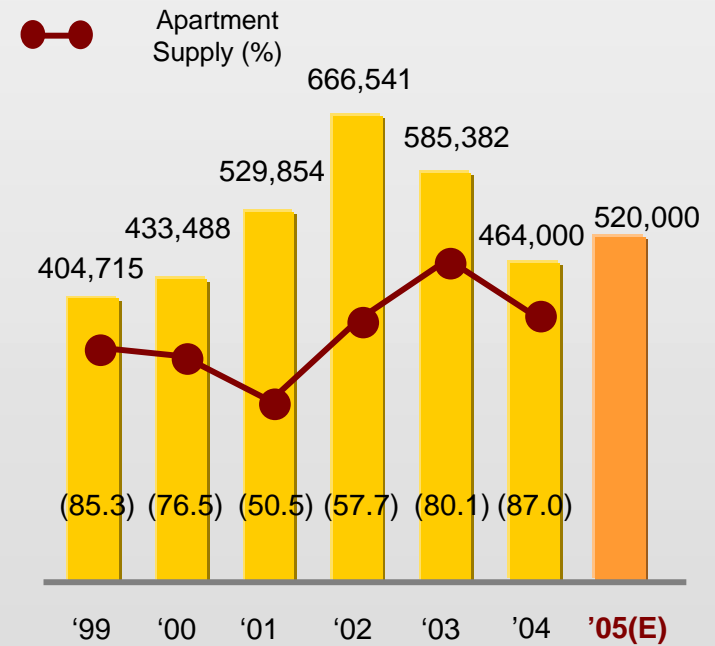
## Contract Amount



Source : Construction Association of Korea (2005)



## Housing Supply



Source : Ministry of Construction and Transportation

# Appendix - Solid Earnings from Affiliates



## TFT-LCD Factory project history

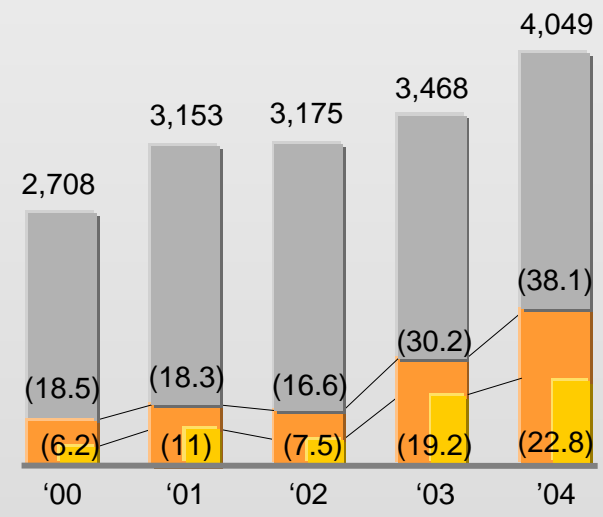
Total Investment approx. KRW 25 tn. for the next 10 years

	Completion	Generation	Location
P 8~10	by 2013	8 <sup>th</sup> or above	Paju
P 7	Q3 2005	7 <sup>th</sup>	Paju
P 6	Q4 2004	6 <sup>th</sup>	Gumi
P 5	Q2 2003	5 <sup>th</sup>	Gumi
P 4	Q3 2002	5 <sup>th</sup>	Gumi
P 3	Q2 2000	4 <sup>th</sup>	Gumi
P 2	Q4 1997	3.5 <sup>th</sup>	Gumi
P 1	Q1 1995	2 <sup>nd</sup>	Gumi

## Sales from LG Affiliates

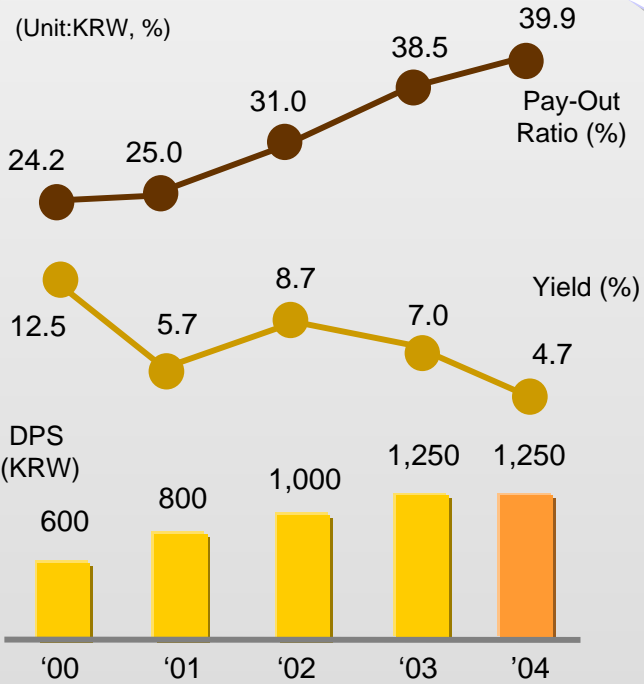
(Unit:KRW bn.%)

- Other Group Works
- TFT-LCD Factory (proportion)



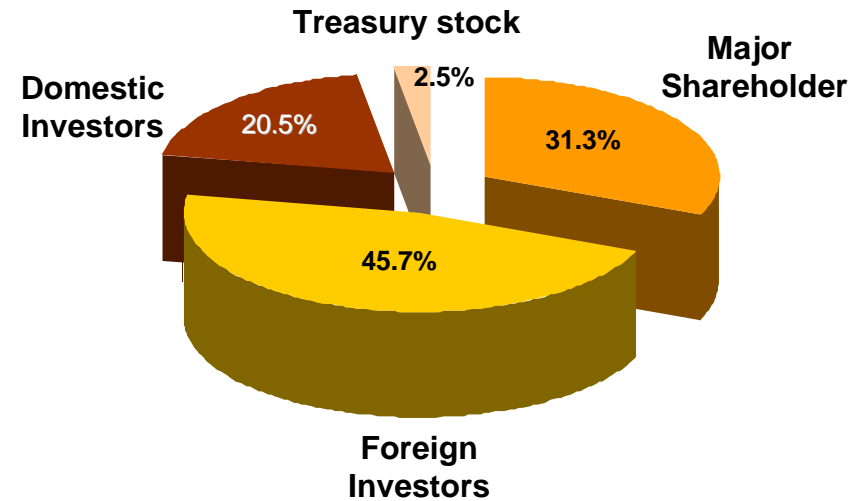


## Dividends



## Ownership Structure

(As of Dec. 2004)



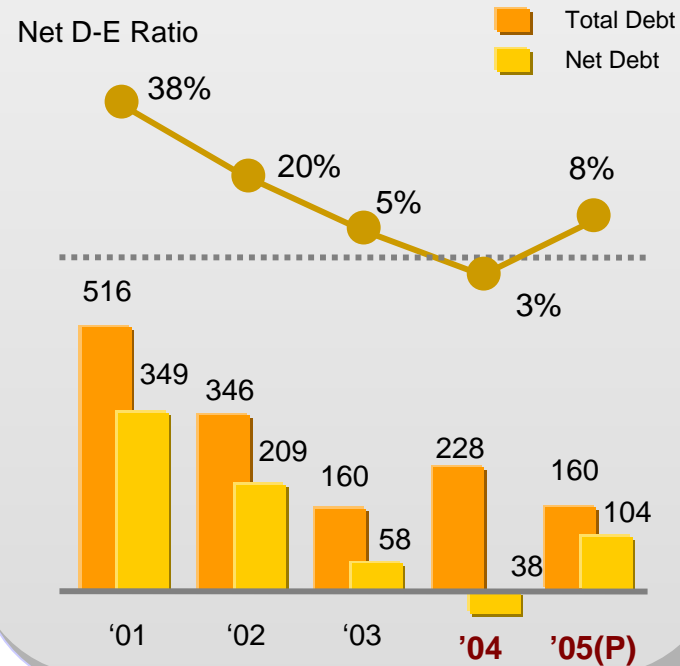


## Financial Structure

	2003	2004	2005 (P)
	(KRW bn)		
Total Assets	2,690	3,303	3,131
Total Liabilities	1,535	2,006	1,716
Total Equities	1,155	1,297	1,415
Capital	255	255	255
Retaining	765	855	985
L-E Ratio(%)	133	155	121
Asset Turnover Ratio (Times)	1.29	1.35	1.49

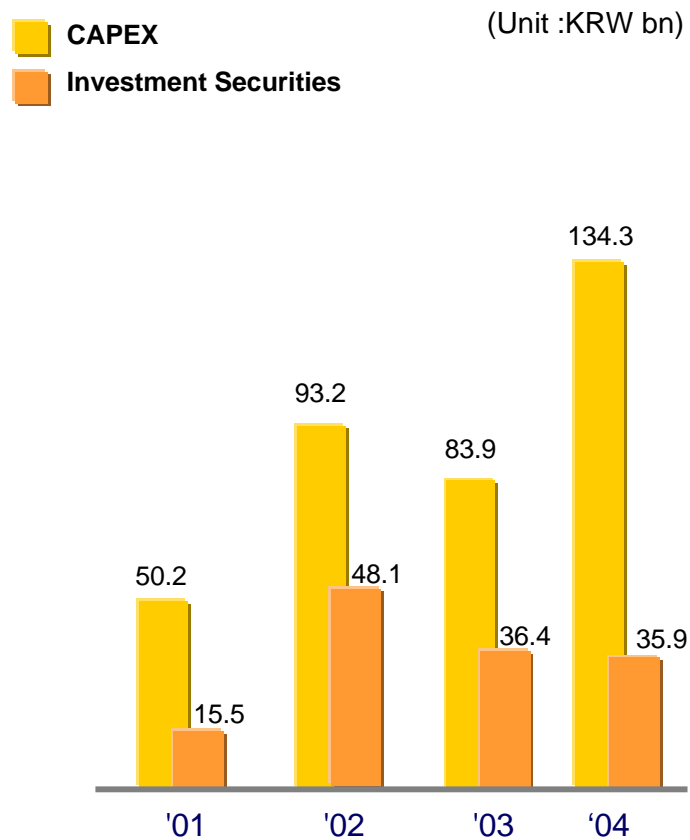
## Borrowings

(Unit:KRW bn)





## Investment Trends



## Investment Plan

(Unit :KRW bn)

Description	2004	2005 (P)
PFI	36	7
Land	143	34
Resort	115	10
IT & R&D etc.	19	24
<b>Total</b>	<b>313</b>	<b>75</b>

\* All figures are net amounts

# Appendix - PFI Projects



As of Dec., 2004

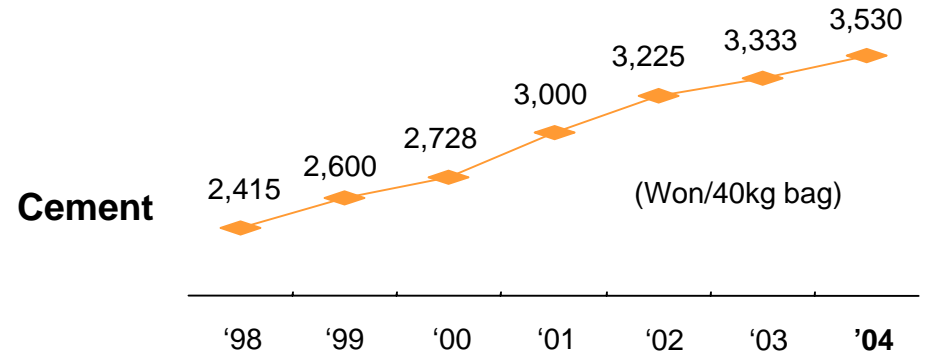
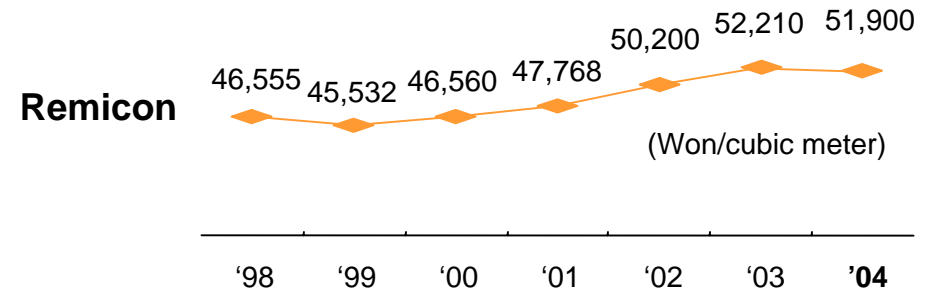
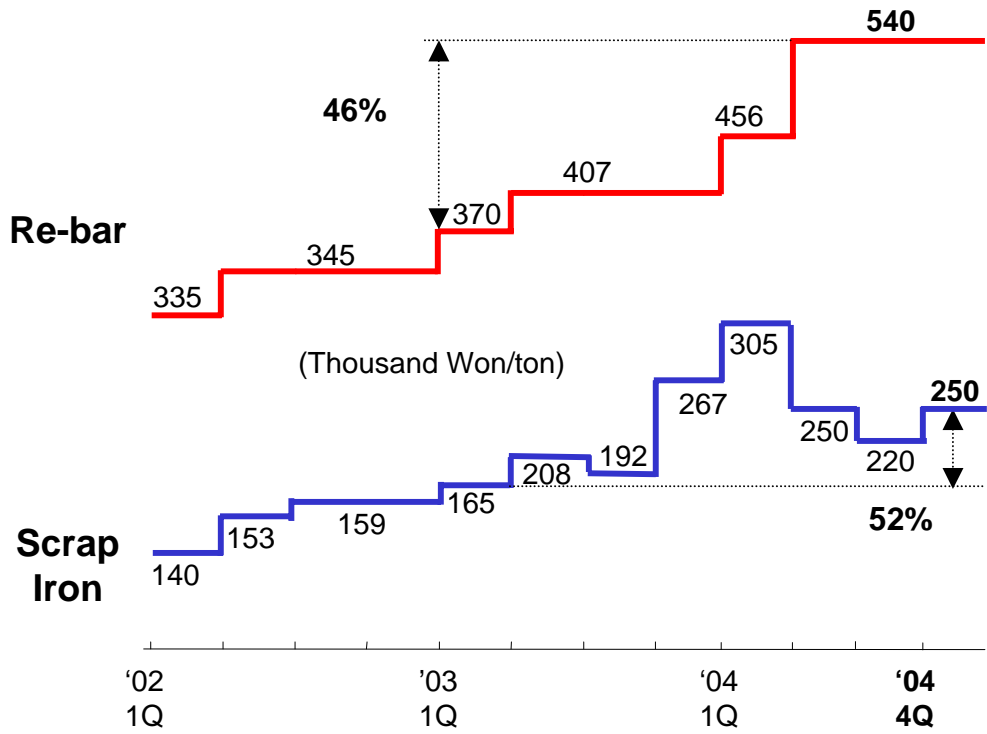
(Unit:KRW bn)

Status	Name of Project	LG Shares (%)	Invested Amount	Contract Amount	Remarks
<b>Investment Completed</b>	New Airport Highway	5%	21.7	117.7	22.8 (KTCU, Dec. 2003)-sold
	Cheonan-Nonsan Highway	25%	112.5	332.0	112.5 (KRIF, Feb. 2004)-sold
	Daegu East Beltway	14.6%	8.7	22.1	-
	Daegu West-North Road	15.1%	3.3	6.9	3.7 (Municipality of Daegu, Nov.2003)
	Cholmasan Tunnel	23.5%	1.0	18.0	1.0 (KTCU, Nov. 2001)-sold
	Manwolsan Tunnel	15%	5.0	16.5	-
	Seoul Beltway	27%	124.2	402.1	To be completed in 2008
<b>Sub-Total</b>			<b>276.4</b>	<b>915.3</b>	

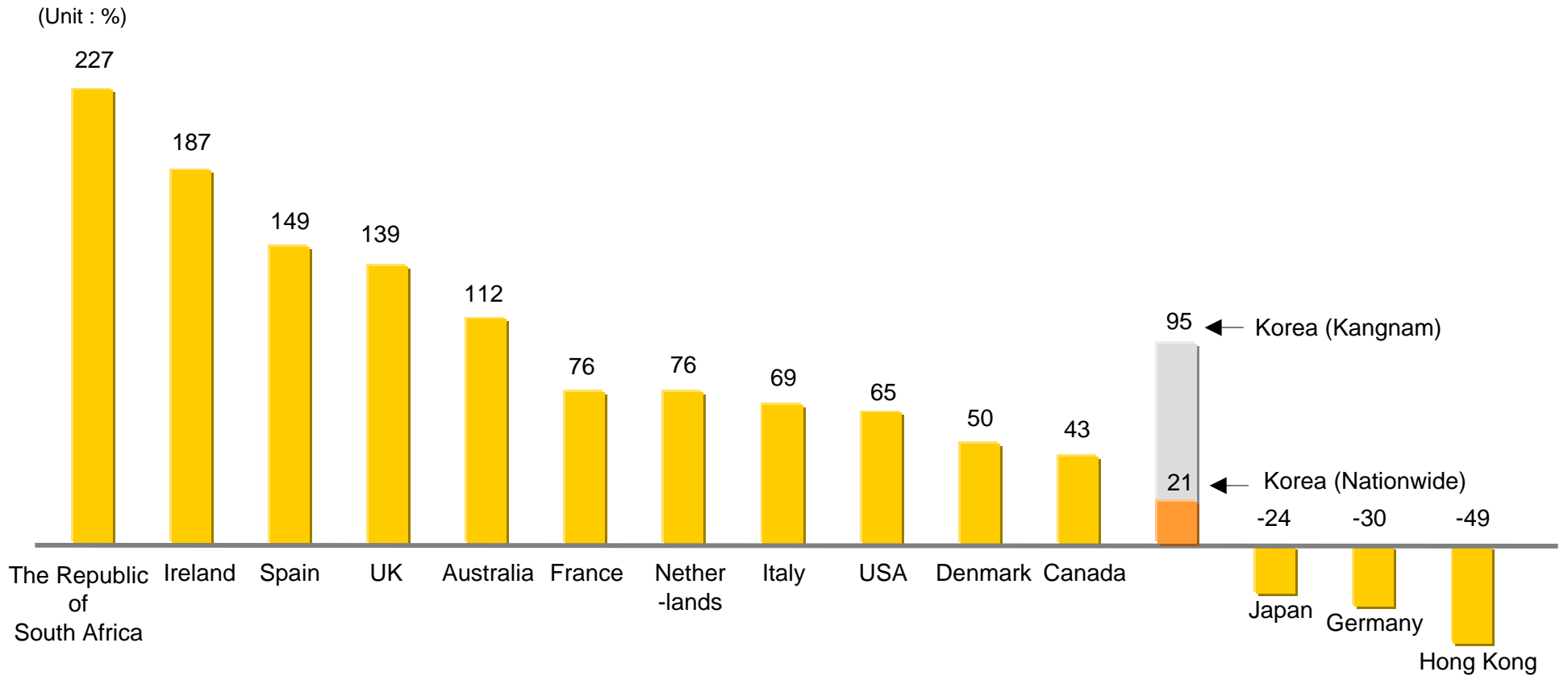
KTCU : Korea Teachers' Credit Union, KRIF : Korea Road Infrastructure Fund

Status	Name of Project	Consortium Leader	LG Shares (%)	Investment Plan	Invested Amount	Contract Amount
<b>Under Investment</b>	Kangnam Beltway	Doosan	11.5%	27.0	1.2	97.1
	<b>Sub-Total</b>				<b>27.0</b>	<b>1.2</b>

# Appendix – Major Material Prices



# Appendix – Growth Rate of Housing Price



Period : 1997 ~ 2004

Source : The Economist, Kookmin Bank

# Appendix – Balance Sheet (Summary)



(Unit:KRW bn)

Account	'01	'02	'03	'04	'05(P)
Total Asset	2,640	2,662	2,690	3,303	3,131
Current Assets	1,457	1,301	1,298	1,775	1,338
Receivables	656	836	875	1,095	1,152
Inventories	406	175	121	159	197
Fixed Asset	1,183	1,361	1,392	1,528	1,393
Total Liabilities	1,753	1,613	1,535	2,006	1,716
Current Liabilities	1,226	1,126	1,185	1,505	1,097
Payables	407	511	621	794	675
Borrowings	516	346	160	228	160
Total Shareholders' Equity	887	1,049	1,155	1,297	1,415
Capital Stock	255	255	255	255	255
Capital Surplus & Retained Earnings	552	656	765	855	985
L-E Ratio(%)	183.8	153.8	132.8	154.7	121.3

# Appendix – Income Statement (Summary)



(Unit:KRW bn)

Account		'01	'02	'03	'04	'05(P)
Sales Revenues	Civil	540	514	573	574	607
	Plant	631	583	580	499	590
	Environment	-	-	-	276	320
	Architecture	856	820	1,259	1,615	1,660
	Housing	1,126	1,258	1,056	1,085	1,323
	Total	3,153	3,175	3,468	4,049	4,500
Gross Profit		405	473	521	492	554
Selling and Administrative Expenses		150	197	250	263	298
Operating Profit		255	276	271	229	256
Ordinary Profit		225	245	262	242	260
Net Profit		150	161	162	156	189