

Presentation

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.



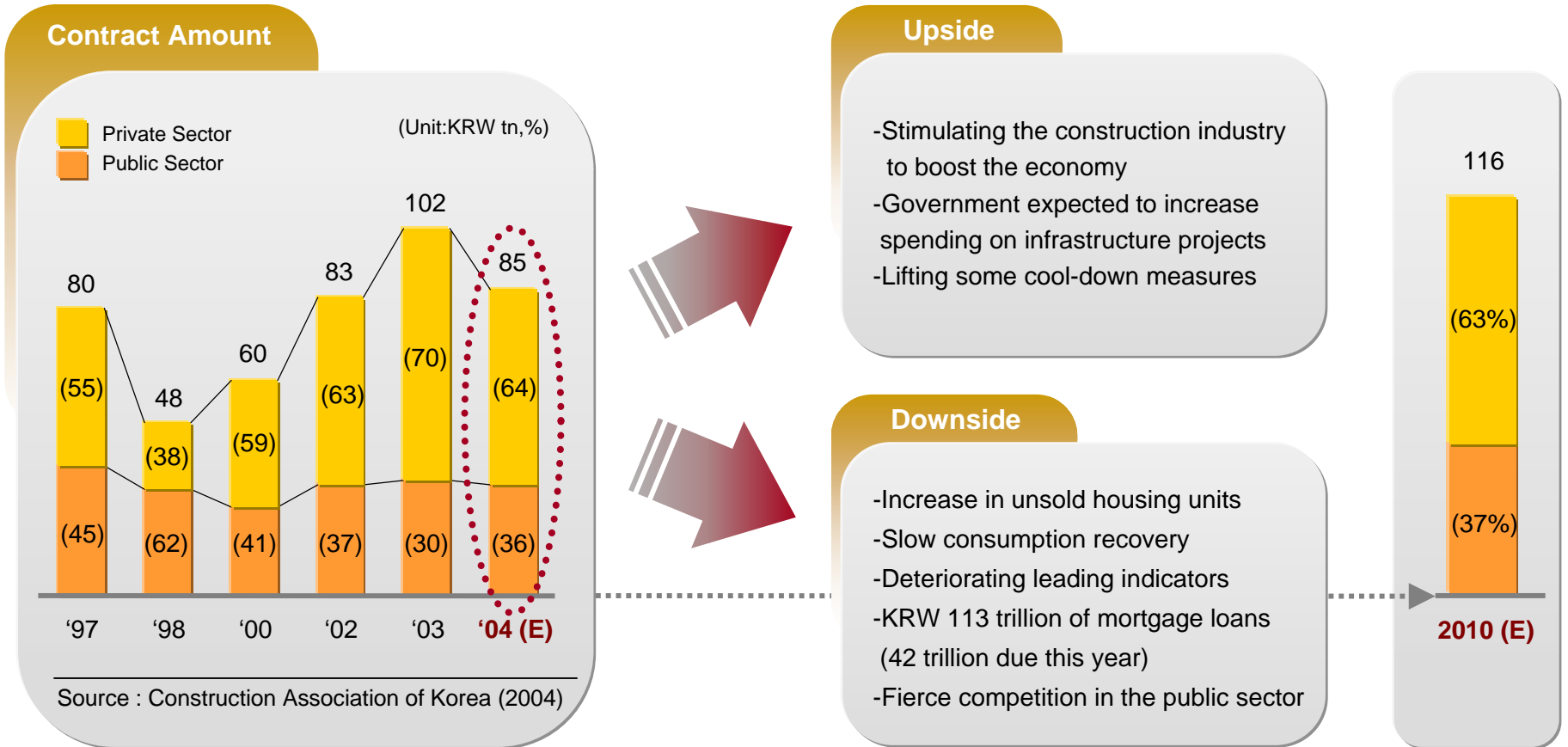
October, 2004

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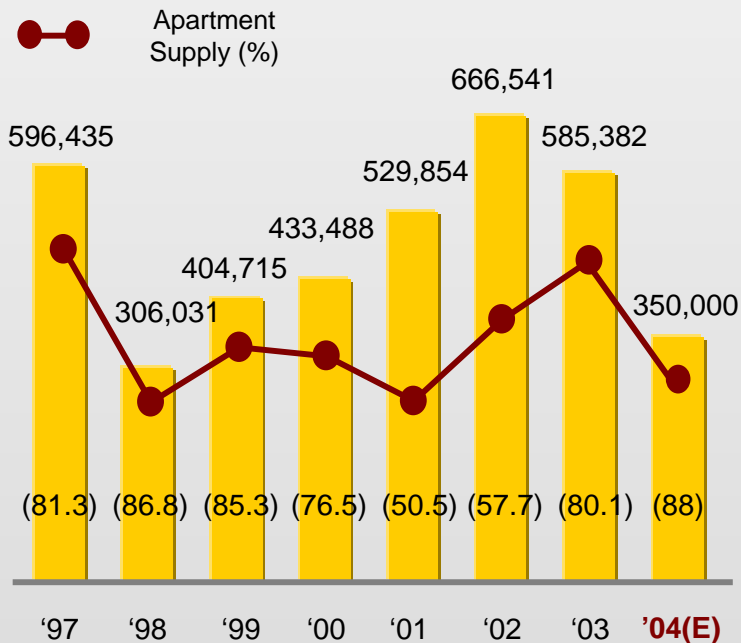
This material contains forward-looking statements that include our current beliefs and expectations on market factors and information obtained outside LG E&C, which are subject to uncertainties. Due to the volatility of these factors, actual results may differ from those set forth in the presented statements.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

The overall construction market is estimated to decline by 17% this year, mainly due to a slowdown in the private sector. But longer-term prospects are brighter, with the market set to rise to KRW 116 trillion in 2010.



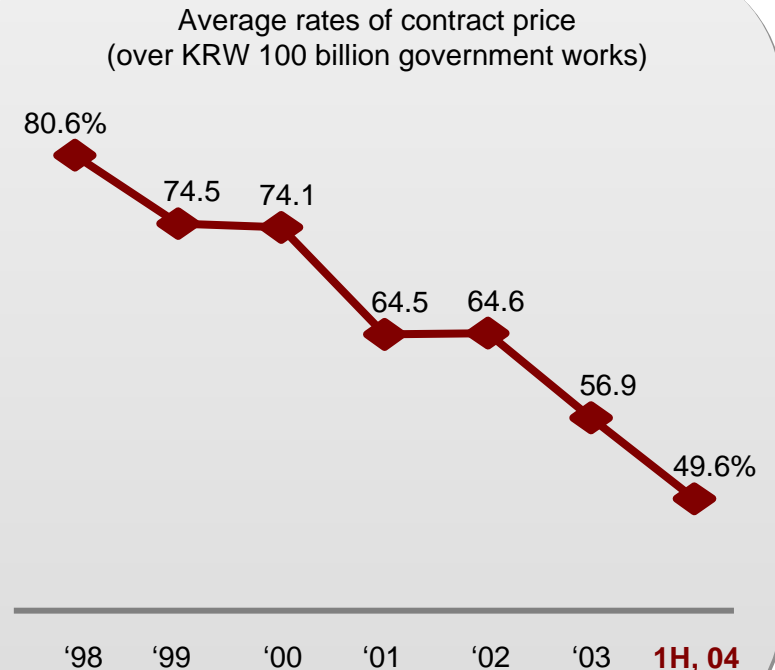
Weak housing and construction demand has triggered intense competition both in the private and public markets since the beginning of this year.

Housing Supply



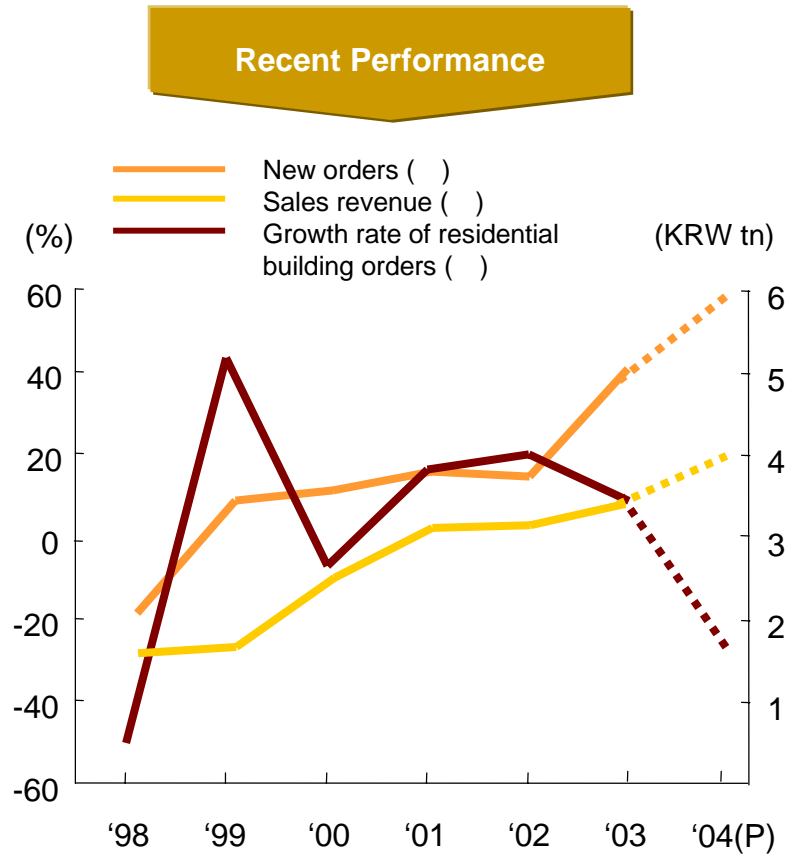
Source : Kookmin Bank (2004)

Contract Price Rate

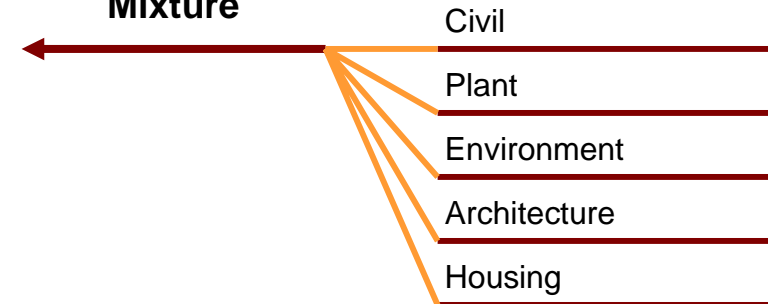


Source : Public Procurement Service (2004)

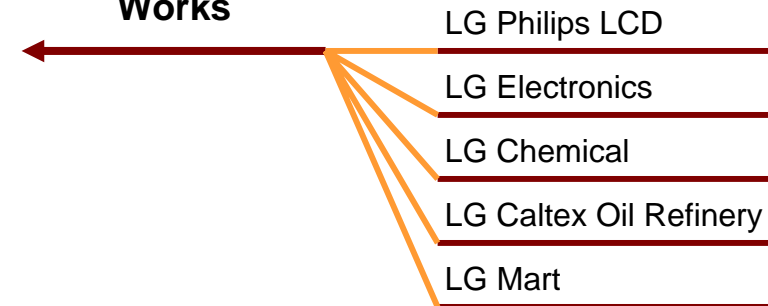
A balanced business mixture and stable affiliate works enable us to grow consistently, even though the growth rate of residential building orders - a leading market indicator – shows fluctuation every year.



Balanced Business Mixture



Affiliates Works



2. Investment Highlights

Solid Earnings from Affiliates Works

The 7th generation TFT-LCD factory project, worth KRW 1.3 trillion, is now under construction and set for completion by August 2005. Considering the current market situation, TFT-LCD projects will be a significant earnings contributor.

TFT-LCD Factory project history

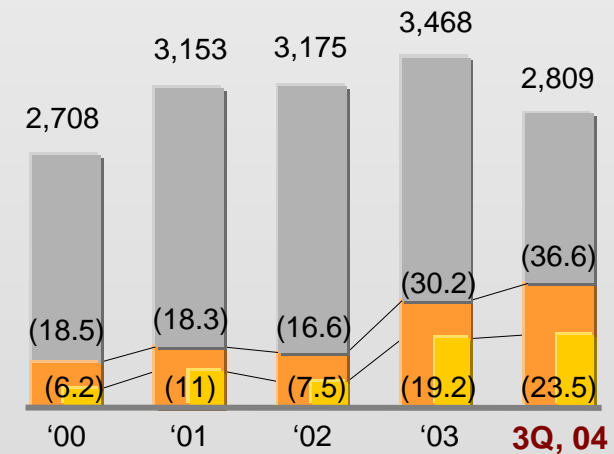
Total Investment approx. KRW 25 tn. for the next 10 years

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

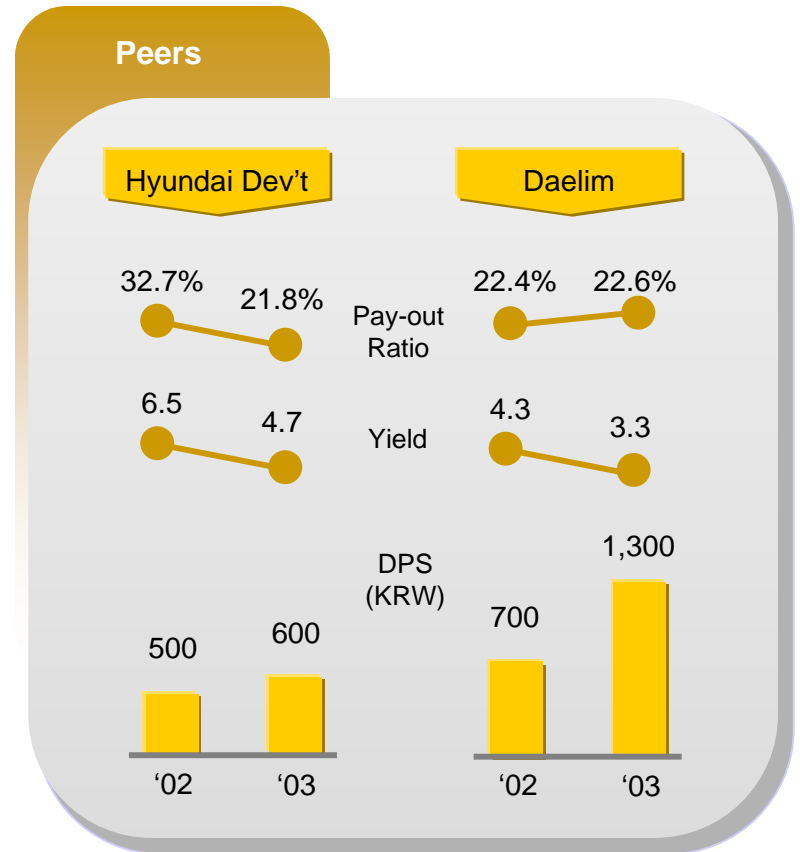
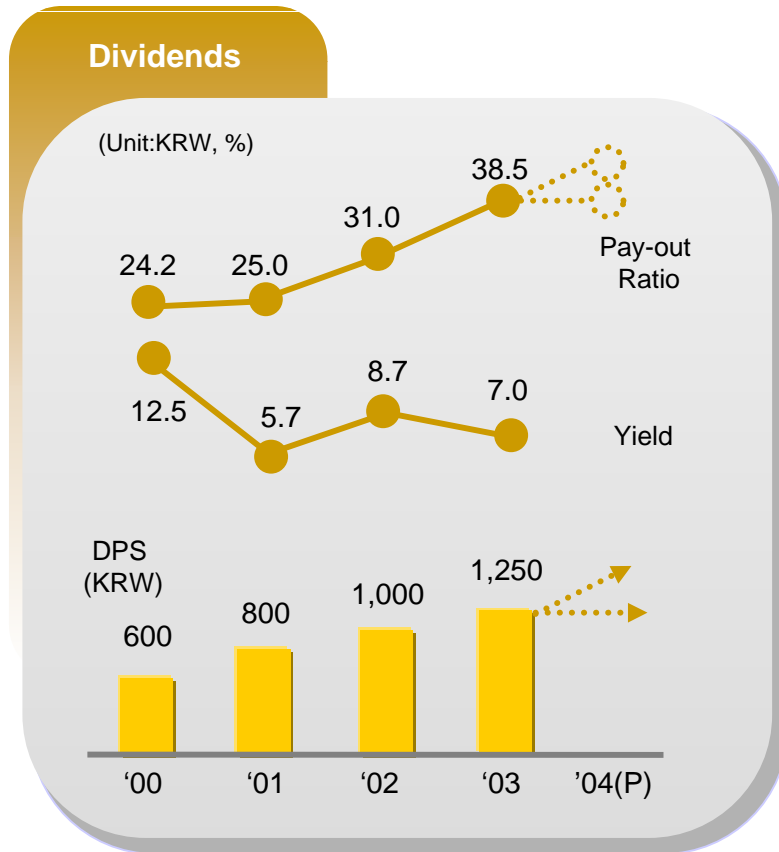
Sales from LG Affiliates

(Unit:KRW bn.%)

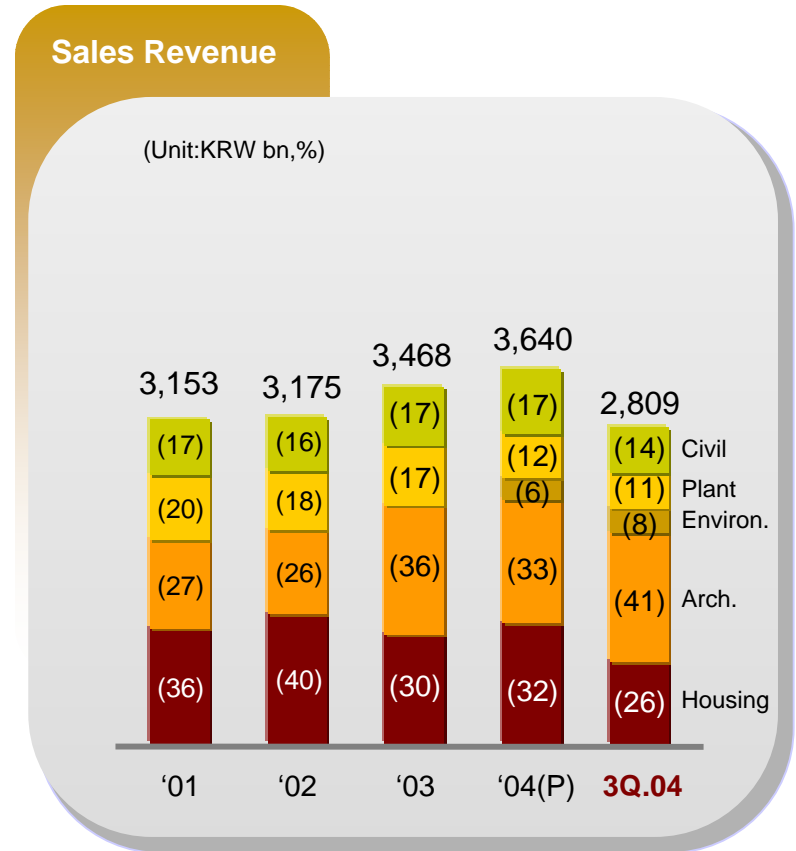
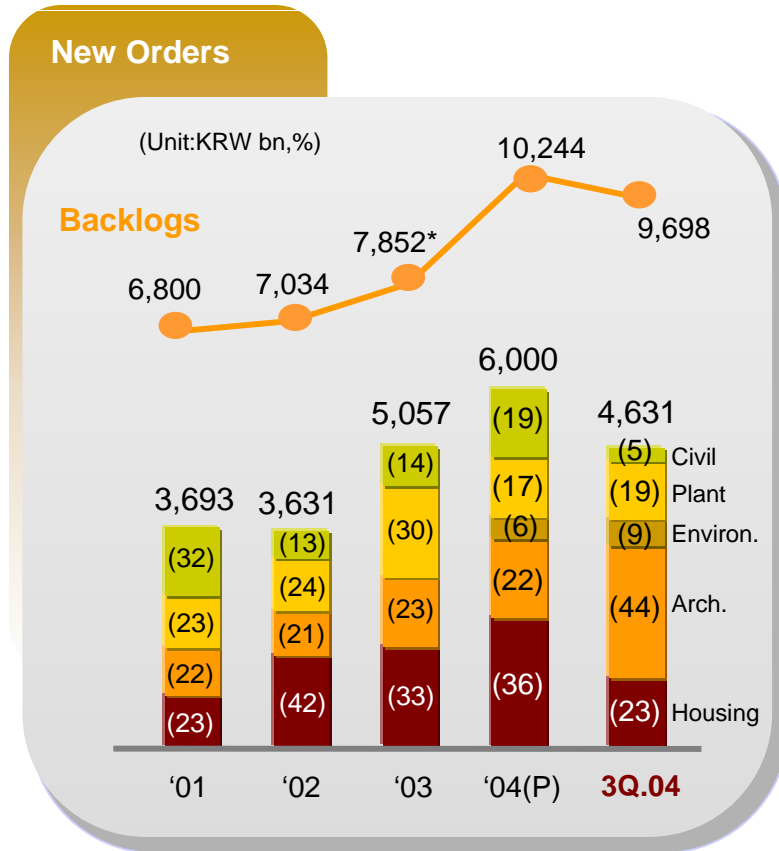
- Other Group Works
- TFT-LCD Factory (proportion)



As illustrated below, our pay-out ratio has increased in each of the past 5 years, while the dividend yield has been also more attractive than peers.

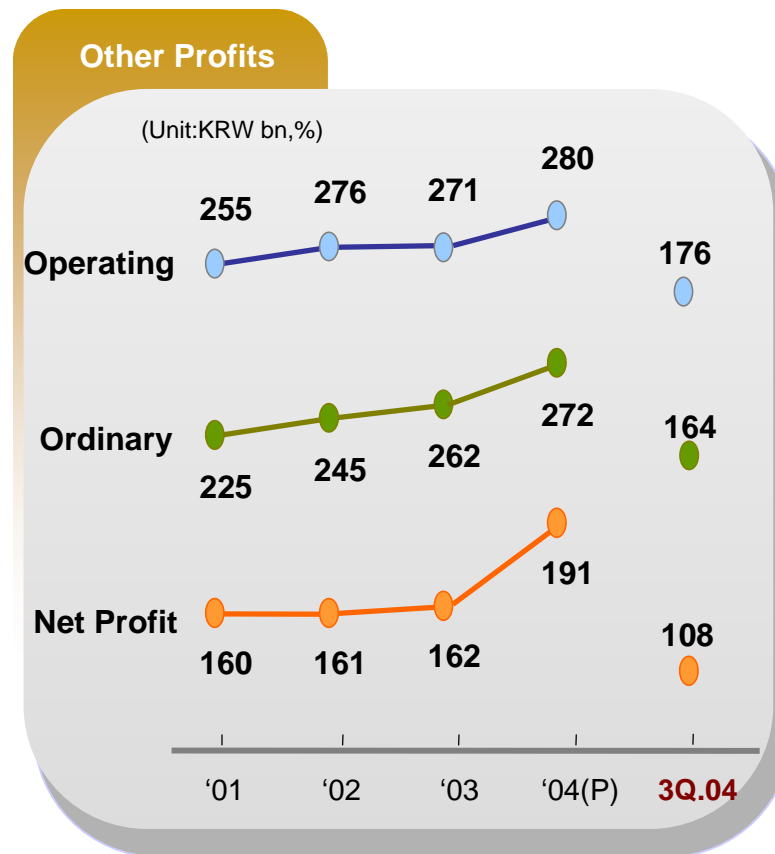
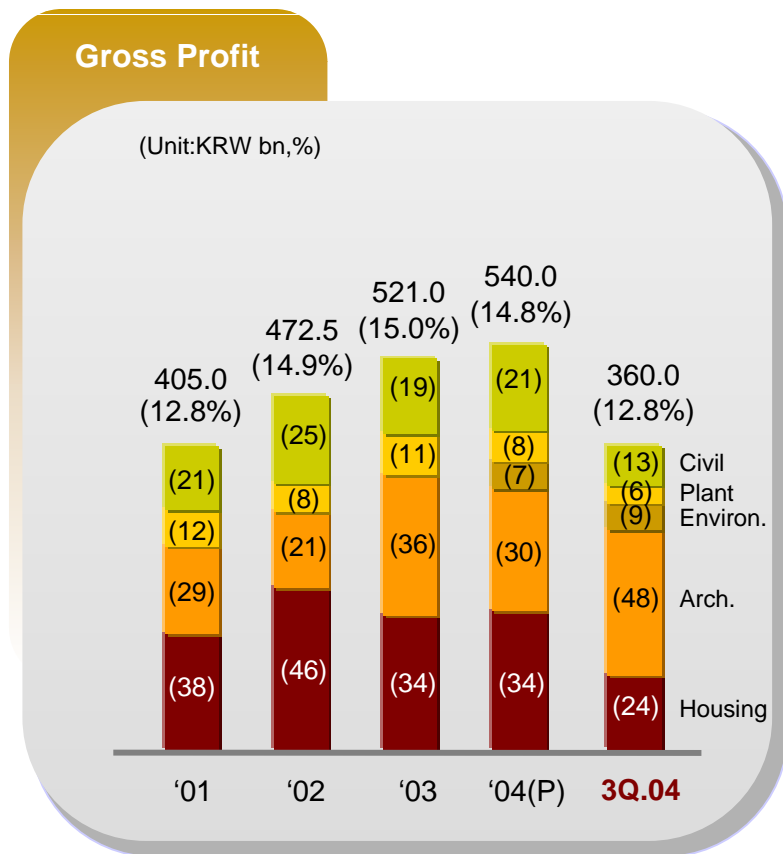


Both new orders and sales revenue have hit 77% of our annual target. Due to a big increase in affiliate works, the architecture business is seeing its best performance in 5 years.

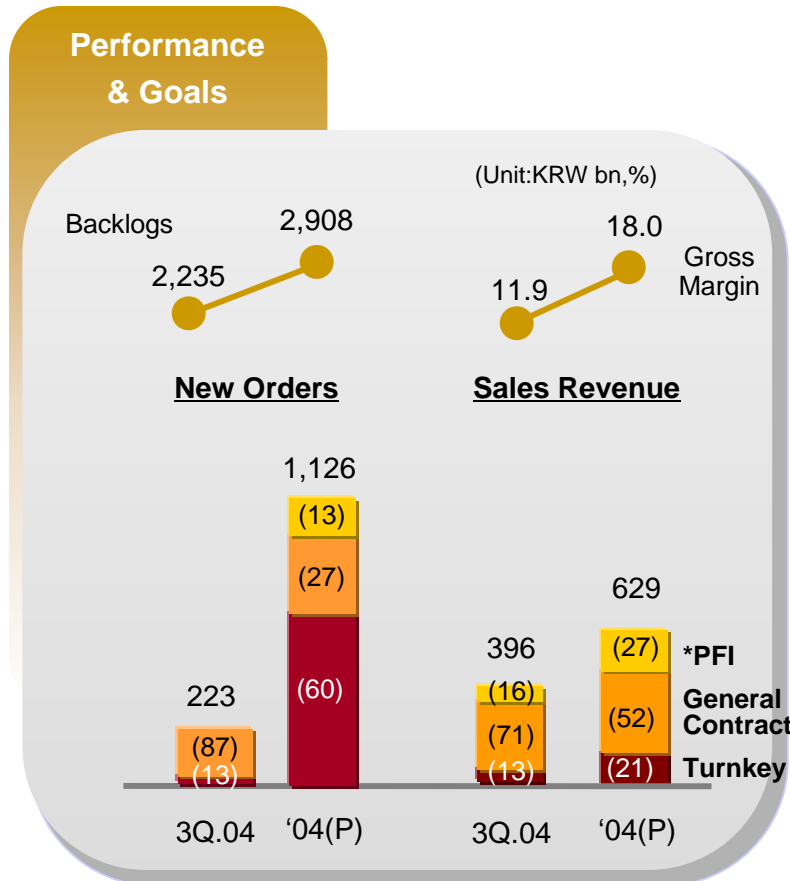


* Excluding W10 trillion worth of provisional orders in housing division.

Raw-material price hikes and newly started projects negatively impacted our profitability. Furthermore, non-operating income has also decreased from 2003 levels due to one off losses.



New orders have fallen sharply this year due to delays over bidding for many government works. Meanwhile, sales revenue is in line with our expectation.



Comment

Low New Orders

- Many government works delayed

Turnkey Projects

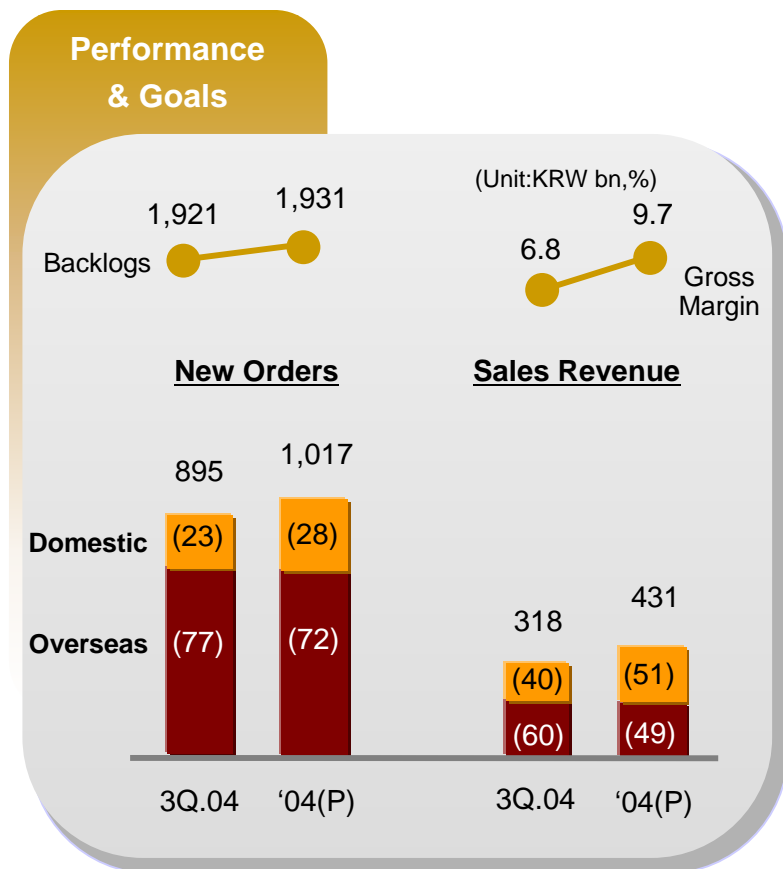
- Planned to participate in 14 bids in 2004, but many have been delayed (have won 2 projects out of 2 bids so far)

PFI Projects

- Continuing to sell stakes in PFI projects to invest in other new projects
- Pursuing 6 new projects

*PFI : Privately Funded Infrastructure

New orders have reached 88% of our annual target as at end-3Q with overseas performance solid. Sales revenue is on track to meet our full-year estimate and weak margins are set to improve.



Comment

High Oil Price = Orders expected to increase

- Robust facility investment expected in Middle East countries with high oil prices

Diversifying region

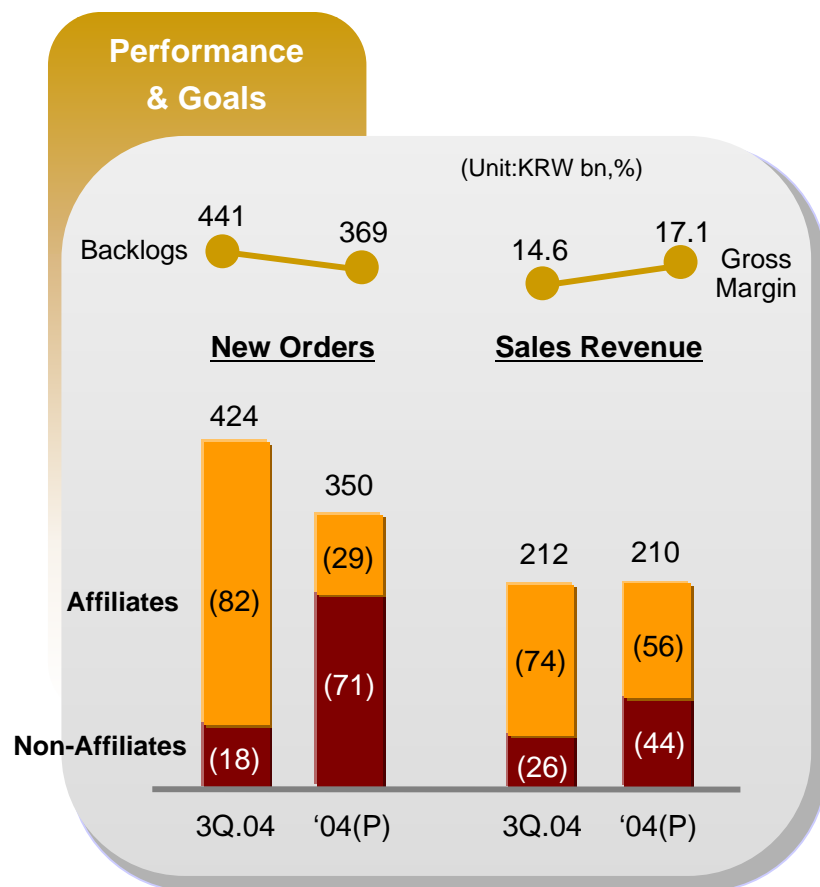
- Lidong Aromatics Plant in China (US\$ 190Mil)

Overseas market will be a substitute

- Given the weak domestic market, the overseas market is a potential growth opportunity

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

Environmental facilities works at the TFT-LCD factories have contributed significantly to both new orders and sales revenue. Meanwhile, the amount of affiliate works as a percentage of total new orders has also increased.



Comment

TFT-LCD Factory

- Completed P6 factory in Gumi and started P7 in Paju
- A large environmental plant is required at the TFT-LCD factories.

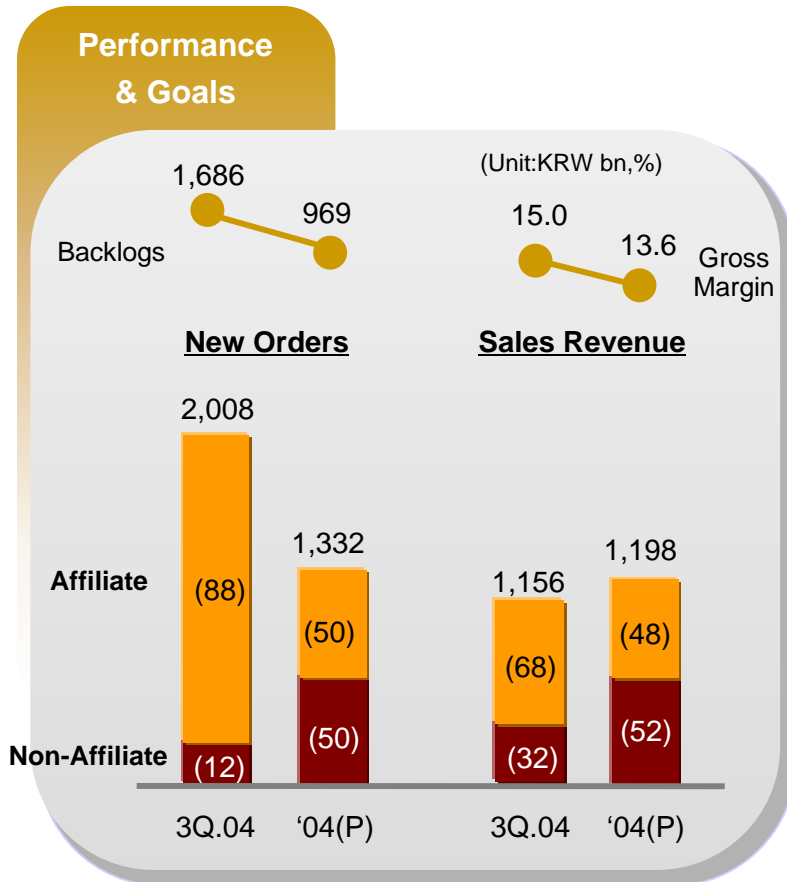
Turnkey Projects

- Planned to participate in 14 bids in 2004, but many have been delayed (have won 1 project out of 2 biddings so far)

PFI Projects

- Pursuing some PFI projects related to water resources

New orders as at end-3Q have surpassed our annual target, while sales revenue has nearly reached our target on the back of many works from TFT-LCD factory construction. We expect this trend to continue next year.



Comment

TFT-LCD Factory

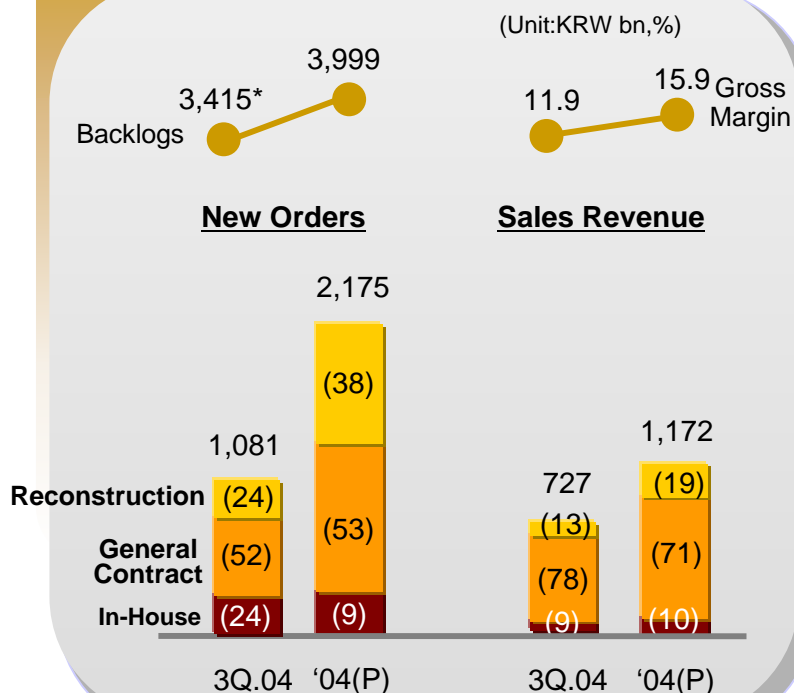
- P6 in Gumi completed in October 2004
- Commenced P7 in Paju
 - . Contract period : Mar. 2004 ~ Aug. 2005
 - . Contract amount : KRW 1.3 trillion
- P8 to P10 projects will start according to client's schedule

Turnkey Projects

- Plan to participate in 4 bids in 4Q
(won 3 projects out of 3 bids so far this year)

Due to strong anti-speculation policy, it is difficult to obtain permits for reconstruction projects, however in-house projects remain less affected by government measures. Margins shrank, but they will rebound from next year.

Performance & Goals



Comment

In-house / Reconstruction Projects

- An in-house project in Busan was recognized as a new order
- Expect to receive a permit for some reconstruction projects (Banpo #3, contract estimated to be worth KRW 670 billion)

Increasing Housing Supply

- 8,014 units ('03) approx. 24,000 units ('04)

Margin contraction

- Negative impact from raw material price increase
- Margins squeeze due to many newly started projects

* Approximately W10 trillions of provisional order backlogs not included.

4. Financials

Abundant cash inflow in 3Q led to net cash position, while total borrowings increased. To cope with potential uncertainties, LG E&C to continue to deleverage its debt.

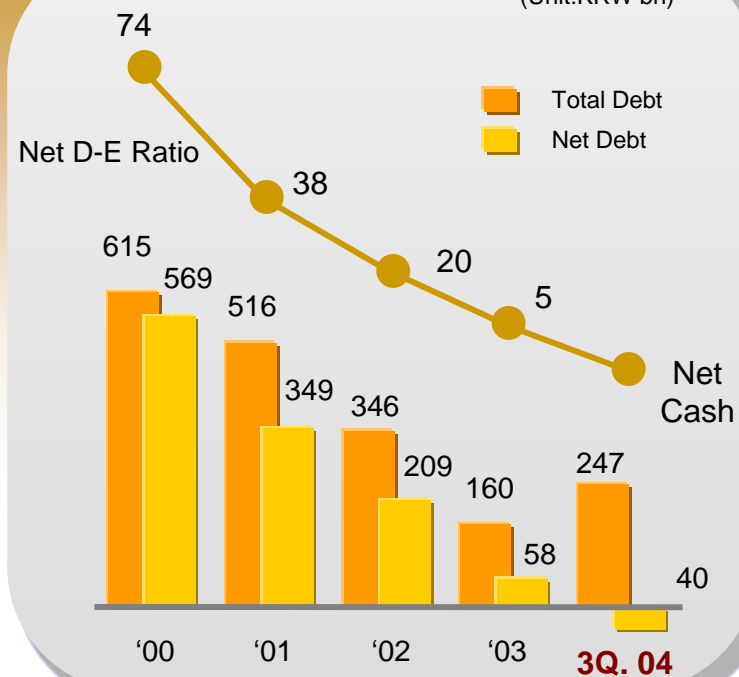
Financial Structure

(Unit:KRW bn)

	2002	2003	2004 (P)
Total Assets	2,662	2,690	2,762
Total Liabilities	1,613	1,535	1,446
Total Equities	1,049	1,155	1,316
Capital	255	255	255
Retaining	656	765	914
L-E Ratio(%)	154	133	110
Asset Turnover Ratio (Times)	1.20	1.29	1.34

Borrowings

(Unit:KRW bn)



Appendix

- ✓ **Governance**
- ✓ **Borrowings**
- ✓ **Investments**
- ✓ **PFI Projects**
- ✓ **Provisional Order Backlogs in Housing Div. as at end-3Q**
- ✓ **TFT-LCD Projects in Paju**
- ✓ **Forecast for the next 3 years**
- ✓ **Performance & Goals**
- ✓ **Construction Market**
- ✓ **Housing Market**

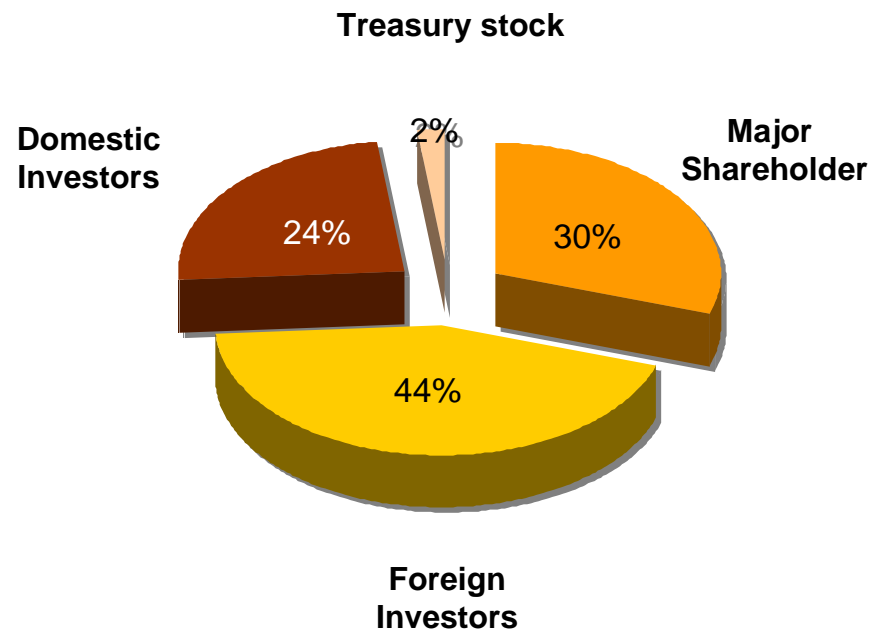
Corporate Governance

(As of Sep. 2004)



Ownership Structure

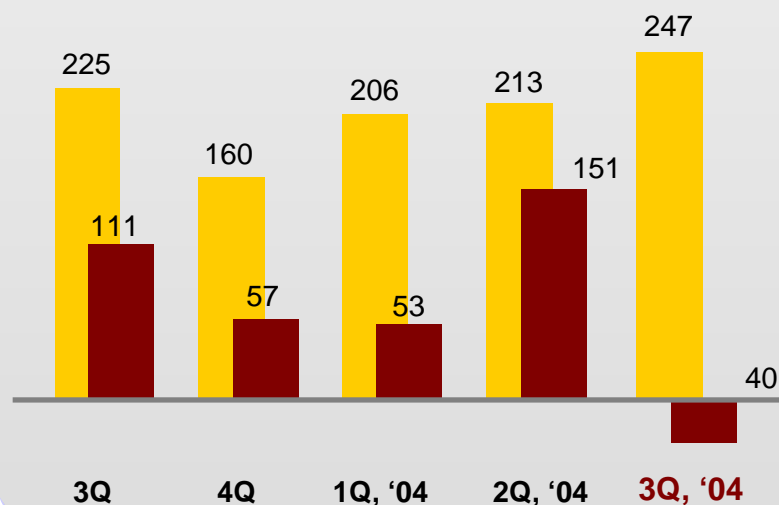
(As of Sep. 2004)



Borrowing Trends

(KRW bn)

- Total Debt
- Net Debt

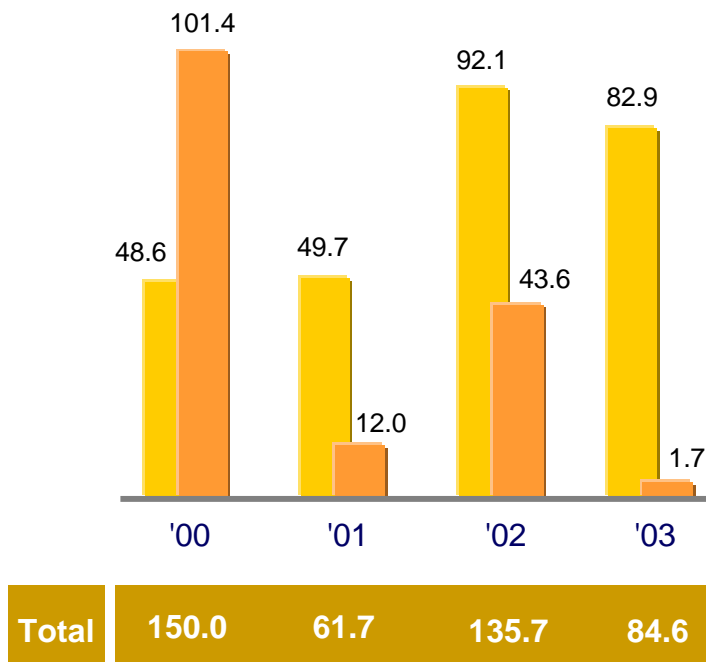


(KRW bn)

Account	4Q, '03	1Q, '04	2Q, '04	3Q, '04
Short-term Loan	145	146	154	138
Short-term Borrowings	14	65	123	137
Current long-term debt	131	81	31	1
Long-term Loan	15	60	59	109
Long-term Borrowings	15	60	59	59
Debentures	-	-	-	50
Total Debt	160	206	213	247
Cash / Cash Equivalents	99	99	58	283
Short-term financial instrument	4	54	4	4
Cash / Bank Deposit	103	153	62	287
Net Debt	57	53	151	40

Investment Trends

■ CAPEX
■ Investment Securities
 (Unit :KRW bn)



* All figures are net amounts

Investment Plan

(Unit :KRW bn)

Description	3Q,'04	2004 (P)	2005 (P)
PFI	36	36	6
Land	29	48	20
Resort	72	123	14
IT & R&D etc.	10	18	32
Total	147	225	72

As of Sep., 2004

(Unit:KRW bn)

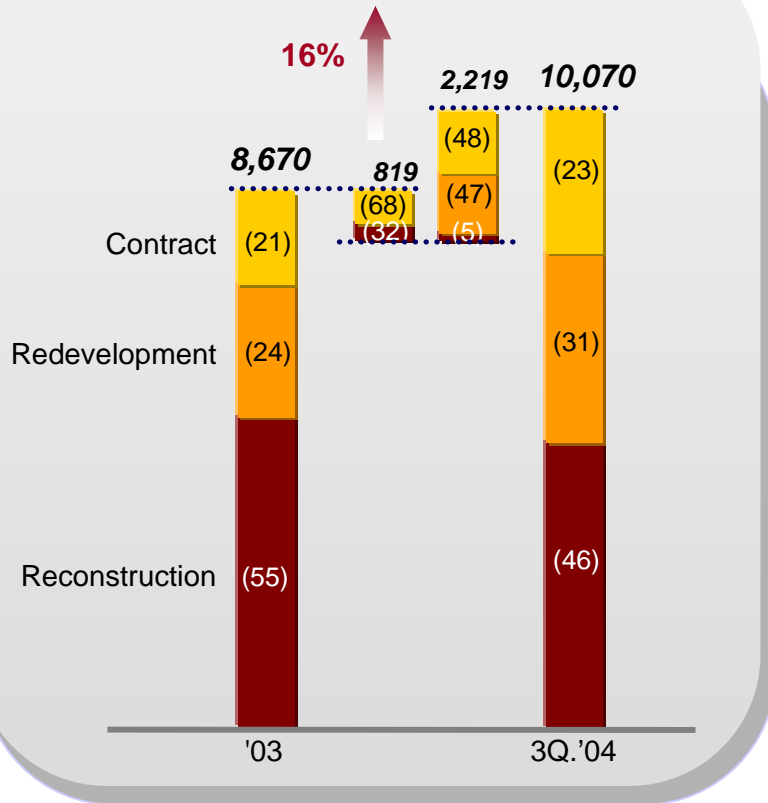
Status	Name of Project	LG Shares (%)	Invested Amount	Contract Amount	Remarks
Investment Completed	New Airport Highway	5%	21.7	190.8	22.8 (KTCU, Dec. 2003)-sold
	Cheonan-Nonsan Highway	25%	112.5	336.0	112.5 (KRIF, Feb. 2004)-sold
	Daegu East Beltway	14.6%	8.7	30.4	-
	Daegu West-North Road	15.1%	3.3	16.4	3.7 (Municipality of Daegu, Nov.2003)
	Cholmasan Tunnel	23.5%	1.0	20.0	1.0 (KTCU, Nov. 2001)-sold
	Manwolsan Tunnel	15%	5.0	14.5	-
	Sub-Total			152.2	608.1

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

Status	Name of Project	Consortium Leader	LG Shares (%)	Investment Plan	Invested Amount	Contract Amount
Under Investment	Seoul Beltway	LG	27%	124.2	124.2	376.4
	Kangnam Beltway	Doosan	11.5%	27.0	1.2	97.1
	Sub-Total				151.2	125.4

Provisional Order Backlogs

(Unit:KRW bn, %)



* () proportion of each sector

By Sectors

(Unit:KRW bn)

Description	'03	New Order Recognition (3Q,'04)	New Provi.Order (3Q,'04)	3Q,'04
Reconstruction	4,788	261	124	4,651
Redevelopment	2,041	-	1,036	3,077
Contract	1,841	558	1,059	2,342
Total	8,670	819	2,219	10,070

New Provi. Order as at end- 3Q

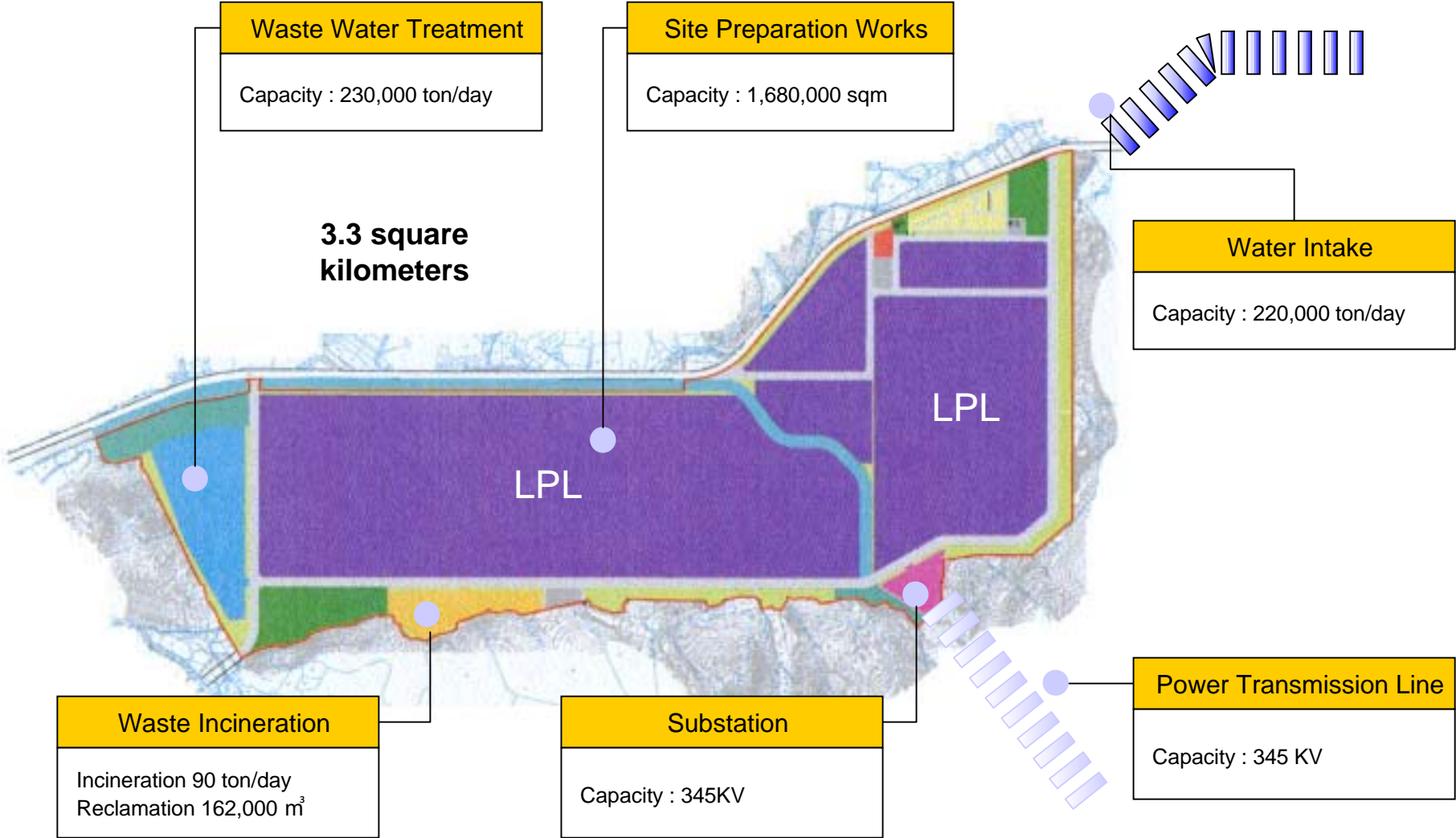
(Unit:KRW bn)

Description	Project	Amount
Reconstruction	Apgujeong Misung	120
	Others	4
	Total (1 project)	124
Redevelopment	Daeyeon 2	335
	Namsan 4-4	197
	Others	504
	Total (6 projects)	1,036
Contract	Sinbong Suji	223
	Siksadong Goyang	621
	Others	215
	Total (5 projects)	1,059

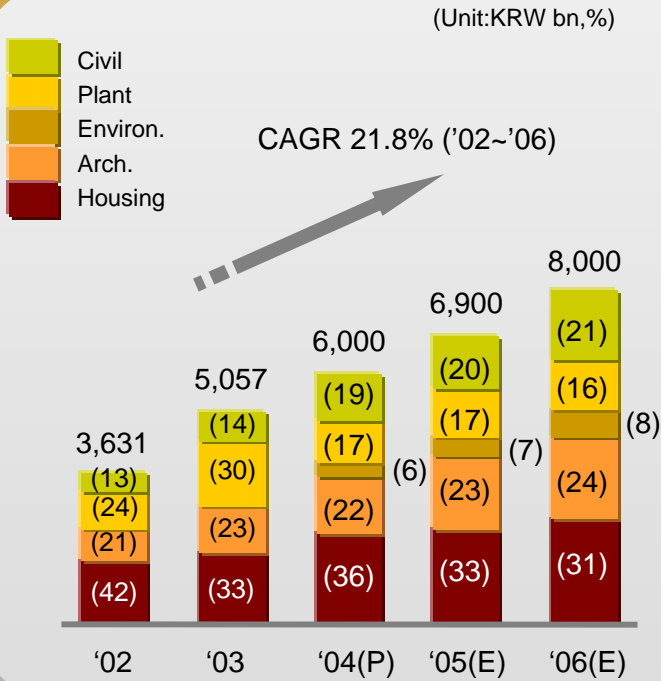
Summary

Name of Project	TFT-LCD Industrial Complex in Paju (P7 ~ P10)
Project Site	Approx. 1.7 million sqm (north of Seoul)
Project Owner	LG Philips LCD Co., Ltd.
Project Period	P7 : Mar. 04 ~ Aug. 05 (P8, P9, P10 until 2013)
Project Cost (estimated)	KRW 25 trillion (equivalent to U\$ 20 billion)
Contractor	LG E&C Corp.

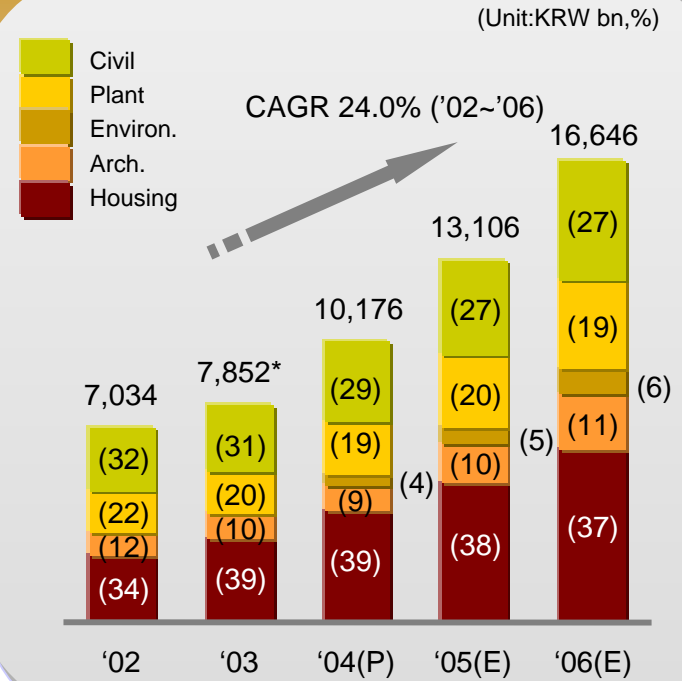




New Orders



Order Backlogs



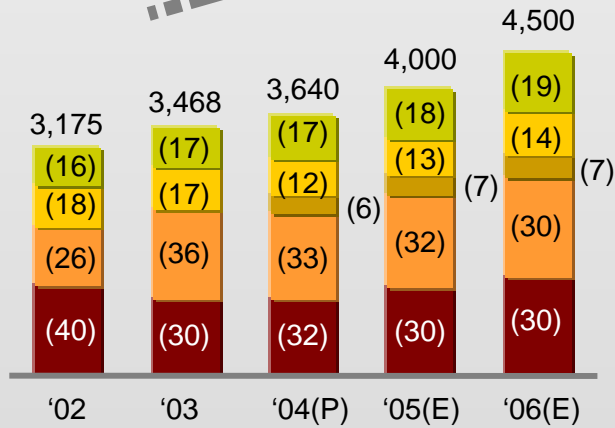
* Approximately 8.7 trillions of housing provisional order backlogs not included.

Sales Revenue

(Unit:KRW bn,%)

- Civil
- Plant
- Environ.
- Arch.
- Housing

CAGR 9.1% ('02~'06)

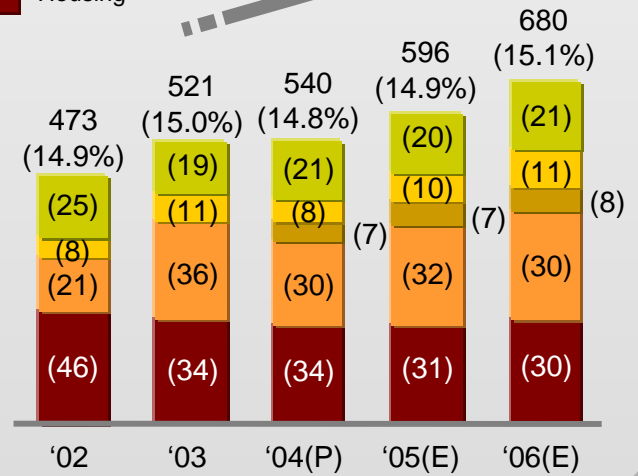


Gross Profit

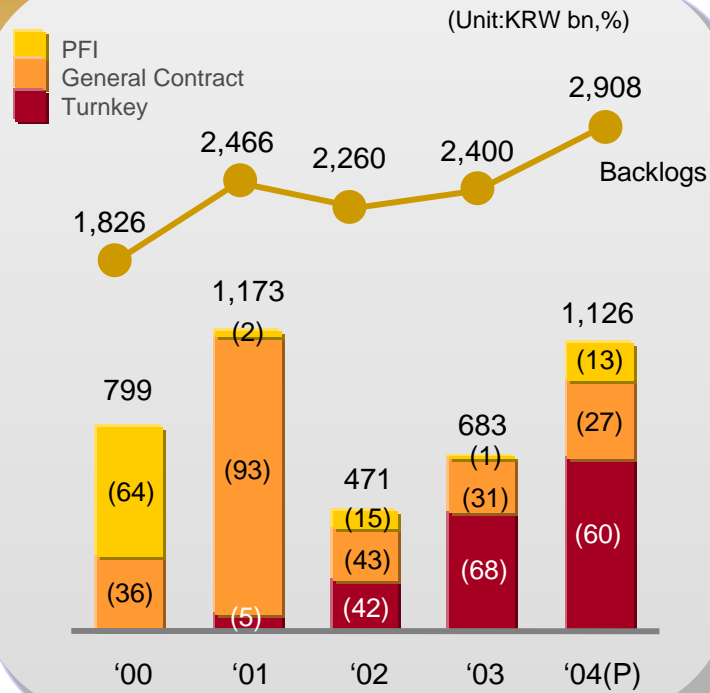
(Unit:KRW bn,%)

- Civil
- Plant
- Environ.
- Arch.
- Housing

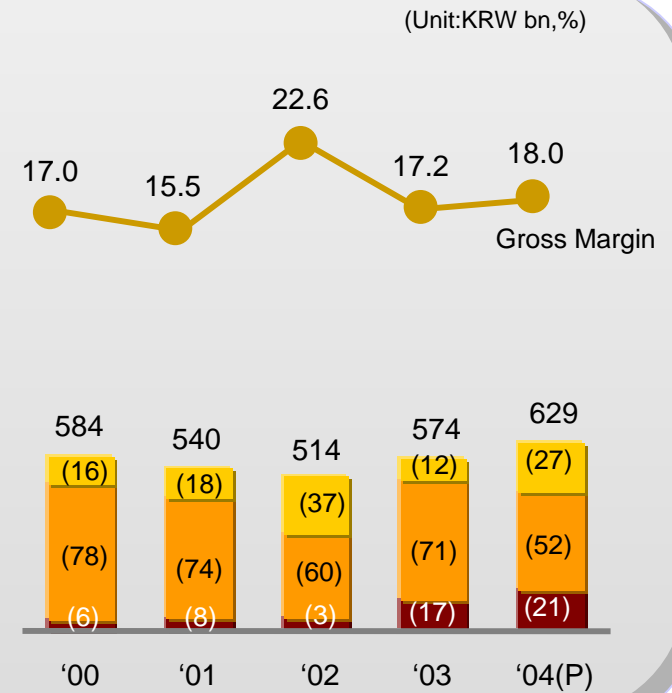
CAGR 9.5% ('02~'06)



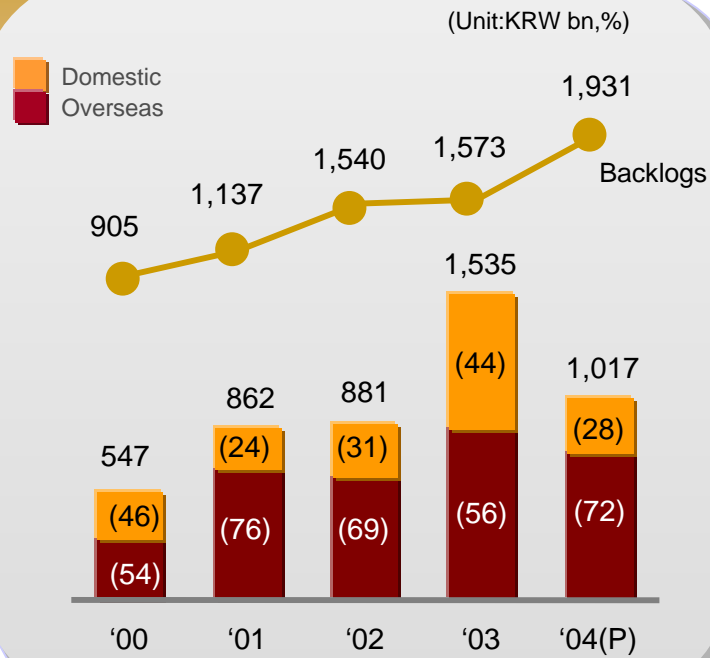
New Orders & Order Backlogs



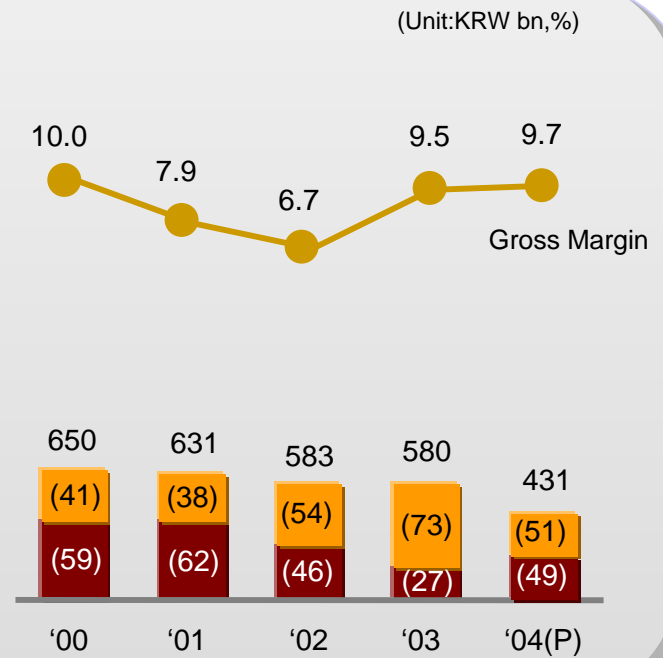
Sales Revenue & Gross Margin



New Orders & Order Backlogs



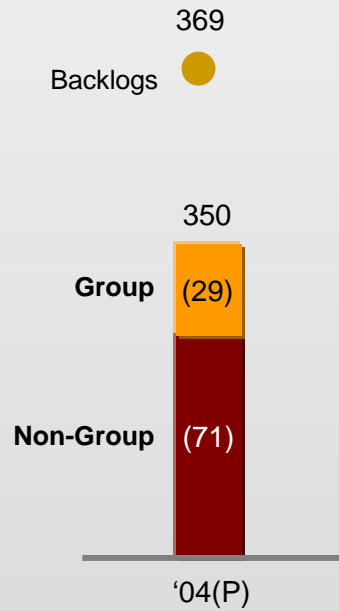
Sales Revenue & Gross Margin



* From 2004, the Environment business division is separated from the Plant division

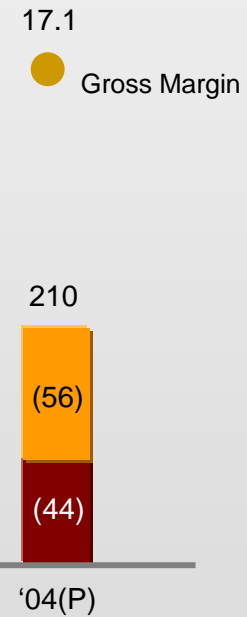
New Orders & Order Backlogs

(Unit:KRW bn,%)



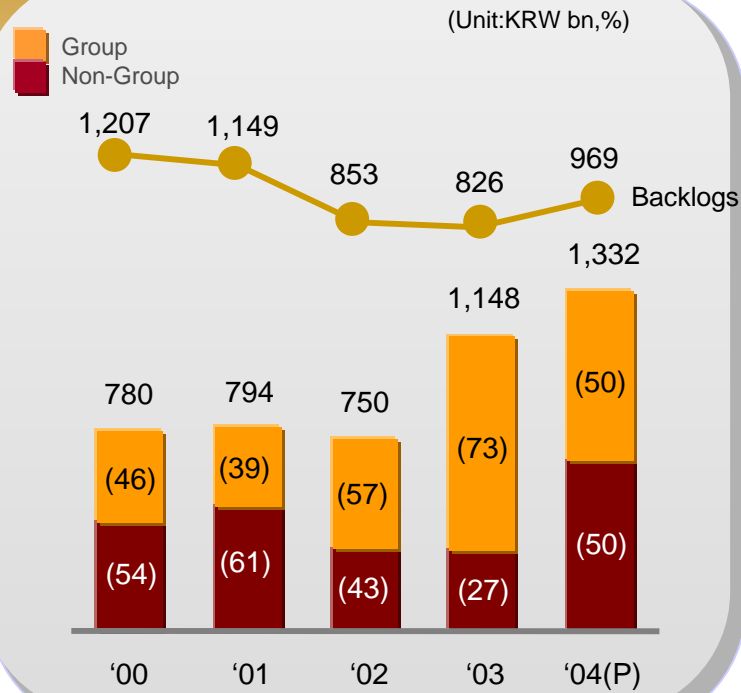
Sales Revenue & Gross Margin

(Unit:KRW bn,%)

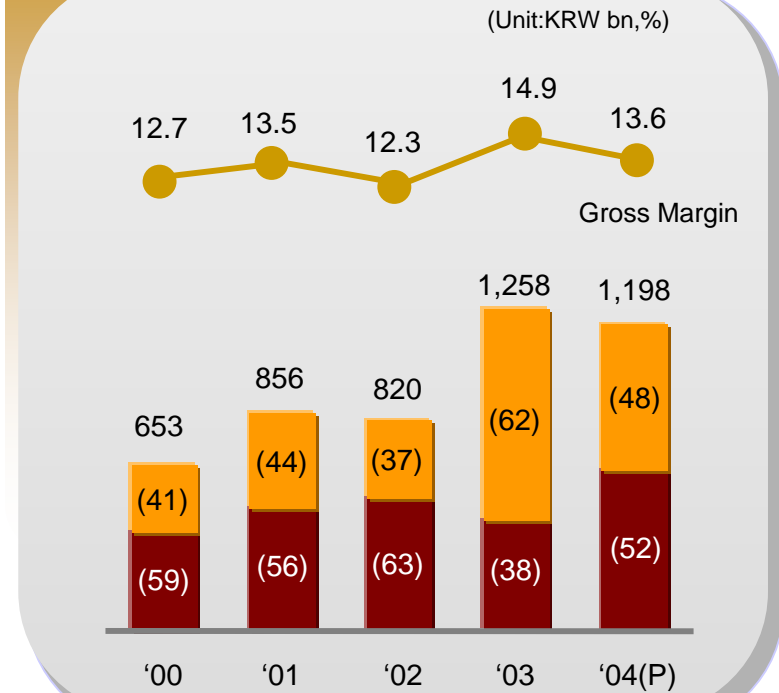


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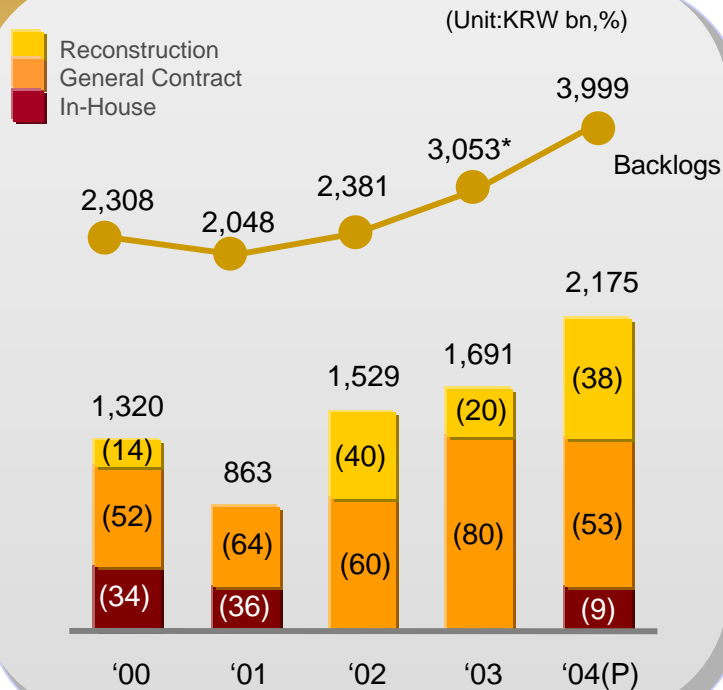
New Orders & Order Backlogs



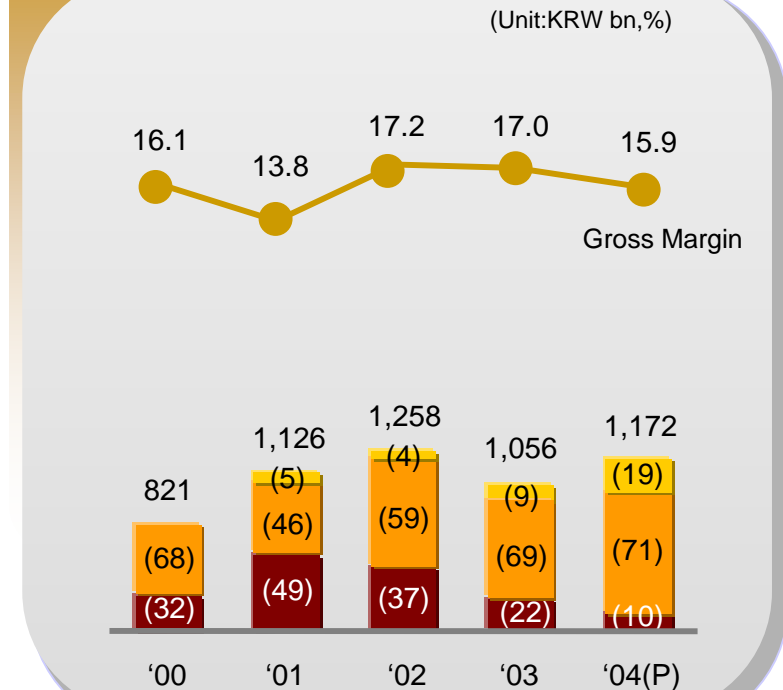
Sales Revenue & Gross Margin



New Orders & Order Backlogs

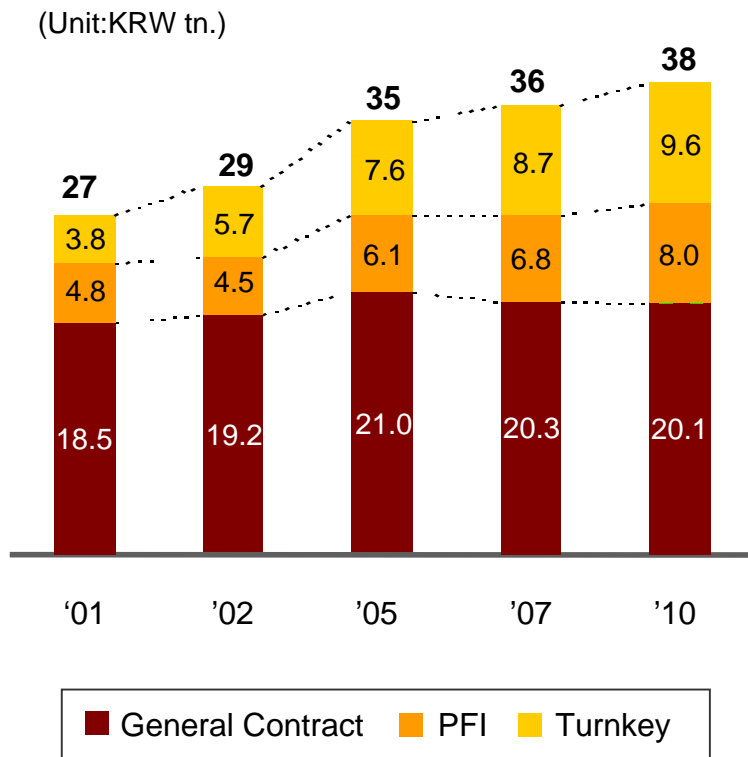


Sales Revenue & Gross Margin

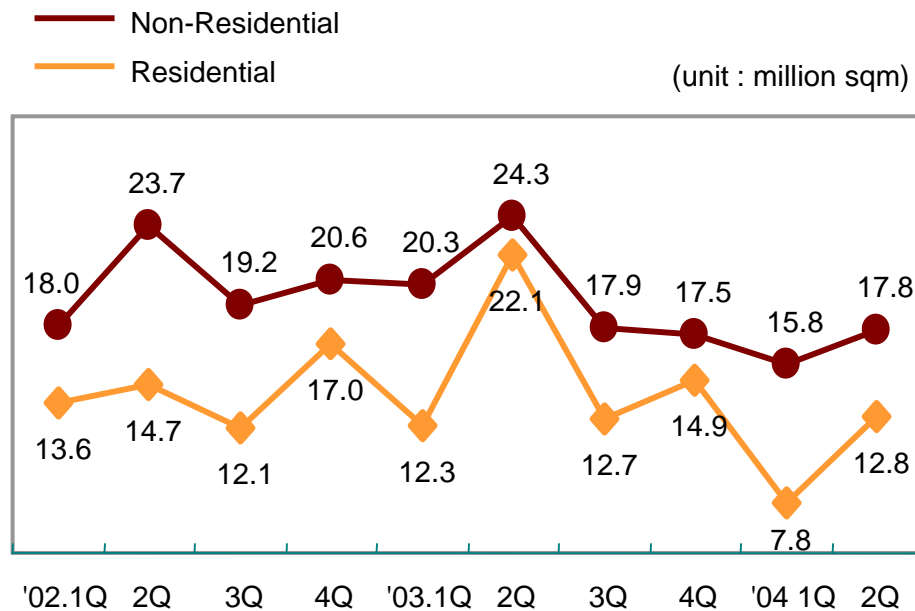


* Approximately 8.7 trillions of provisional order backlogs not included.

Budget for Infrastructure

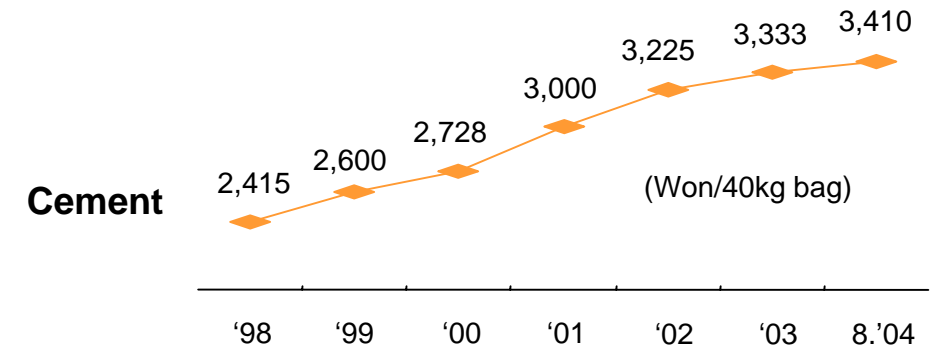
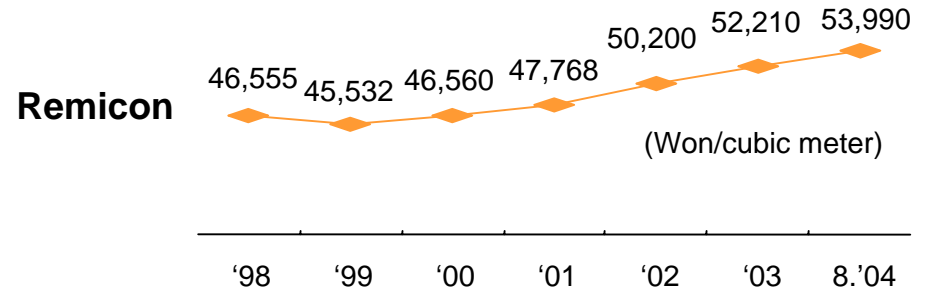
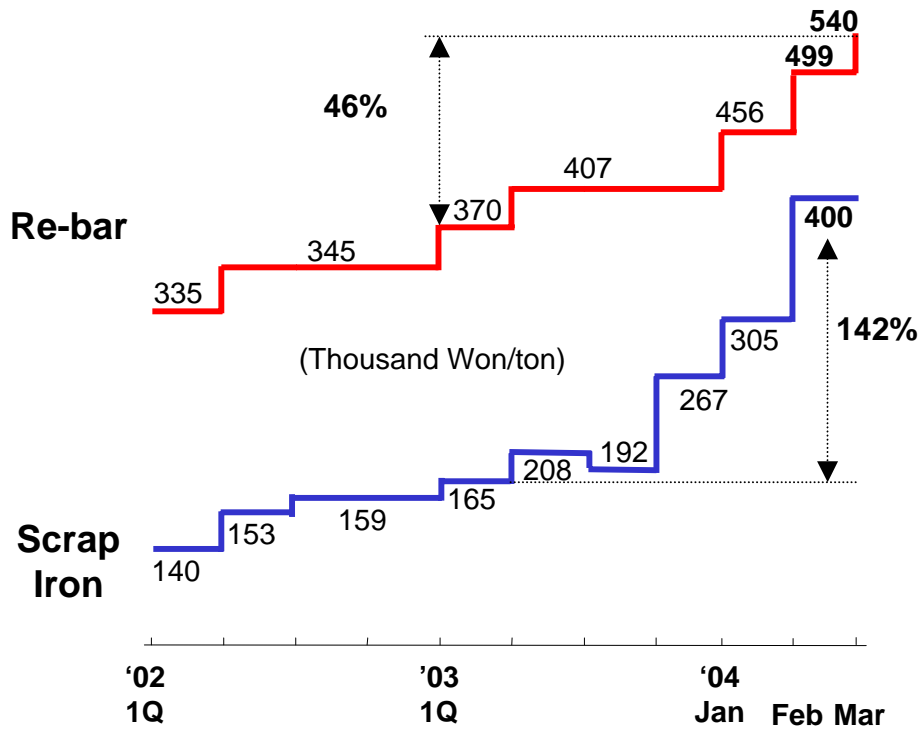


Building Permit Area (Quarterly)

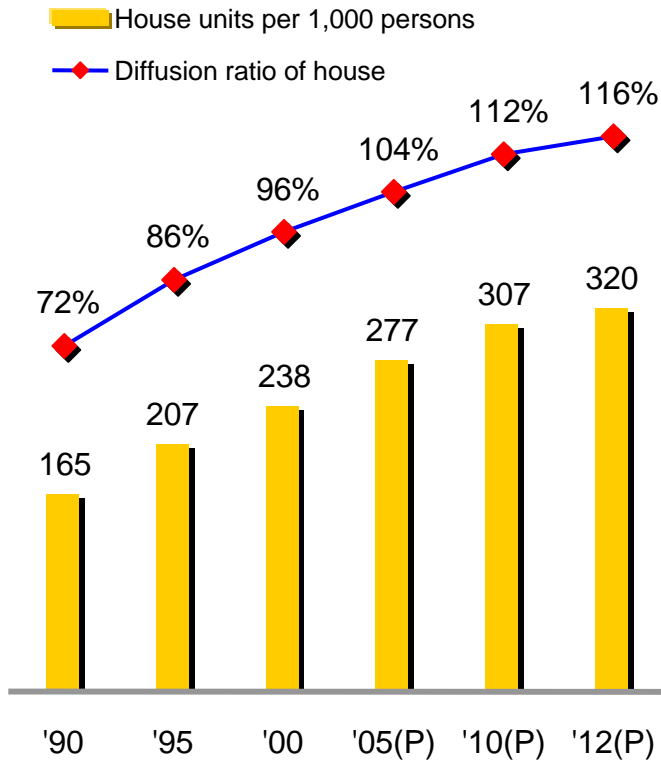


Source : CERIK , Ministry of Construction and Transportation

Raw Material Price Changes

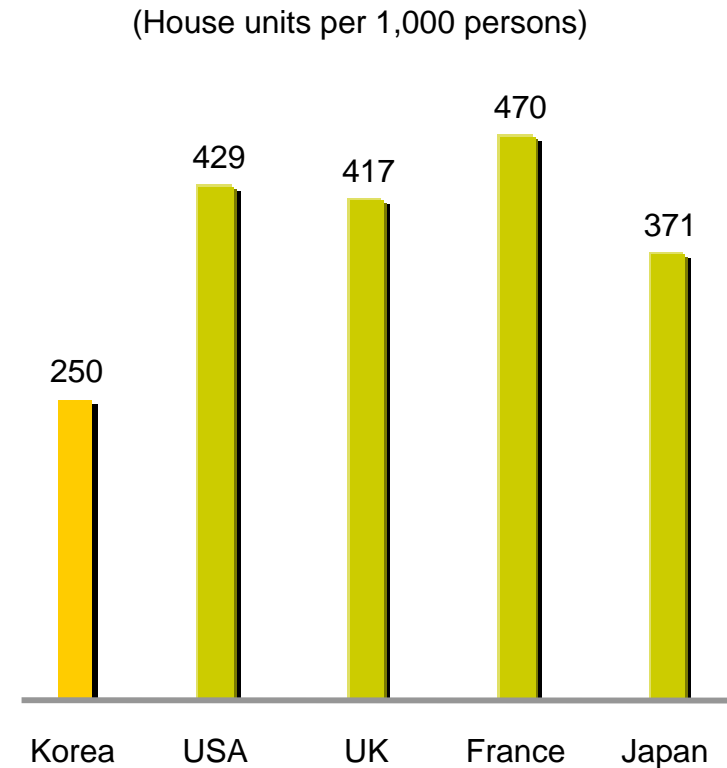


House Units per 1,000 Persons

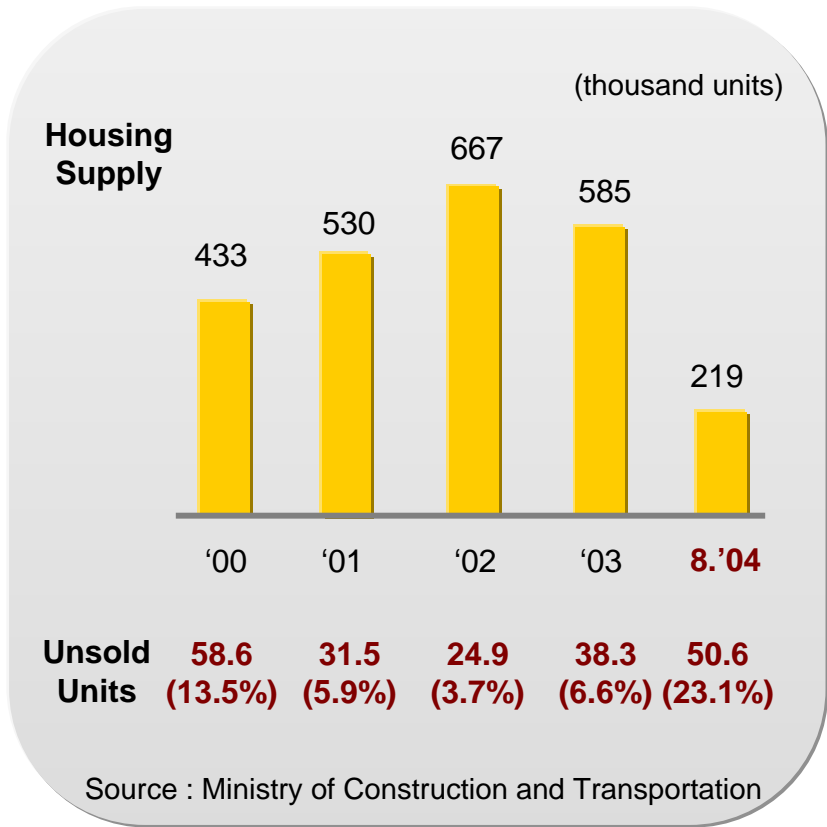


* Source: "Comprehensive Housing Plan(2003 - 2012)"
Korea Research Institute for Human Settlements

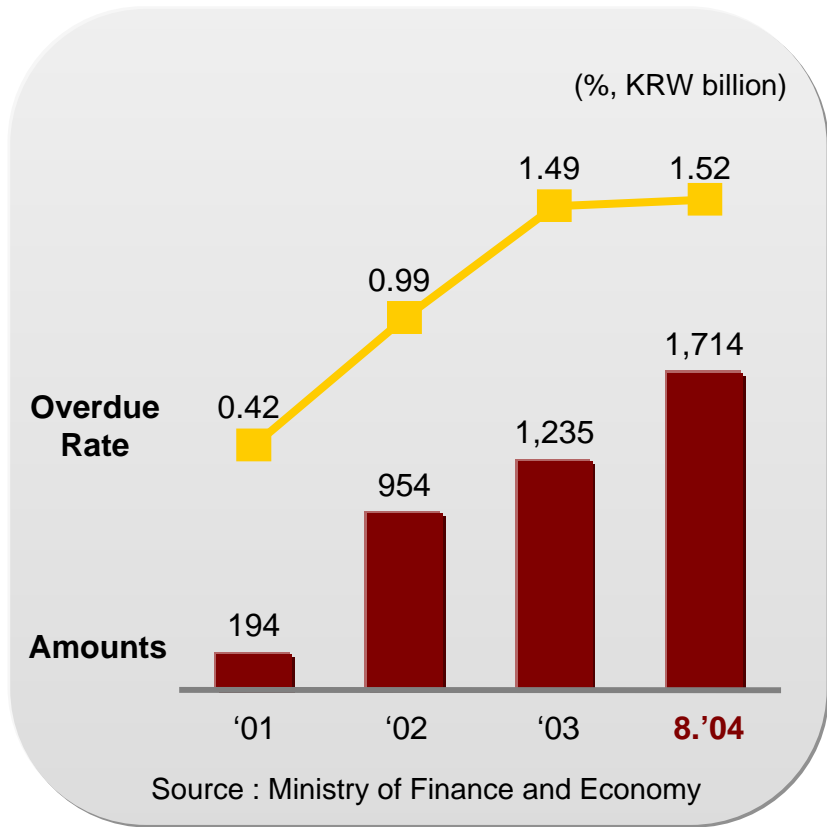
Comparison with Developed Countries (2002)



Unsold Houses Nationwide



Overdue Rates of Home Equity Loan





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