

April. 2005

# Presentation



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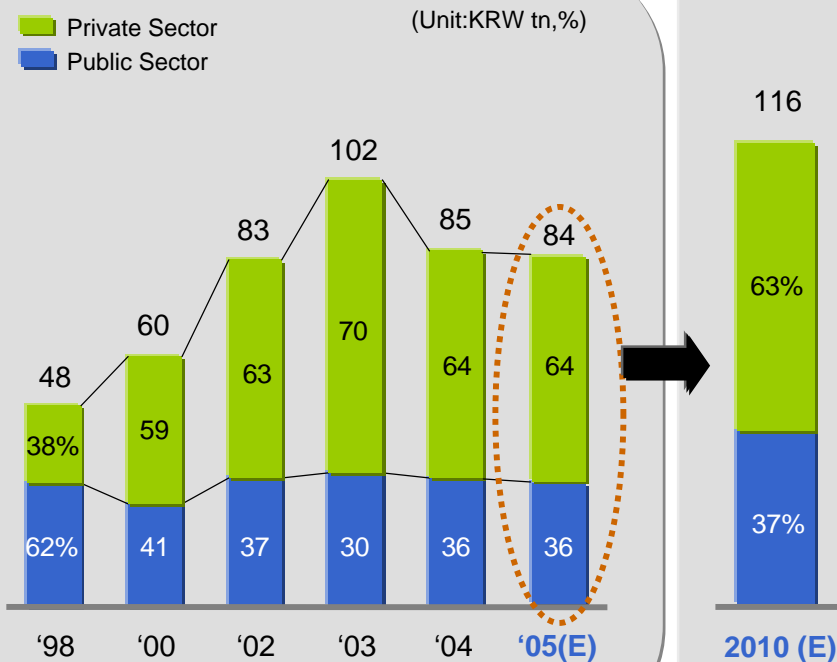
- ✓ Market Overview
- ✓ Investment Highlights
- ✓ Performance & Goal
- \* Appendix

This material contains forward-looking statements that include our current beliefs and expectations on market factors and information obtained outside GS 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. GS E&C shall not be responsible for any trading or investment decisions made based on this information.



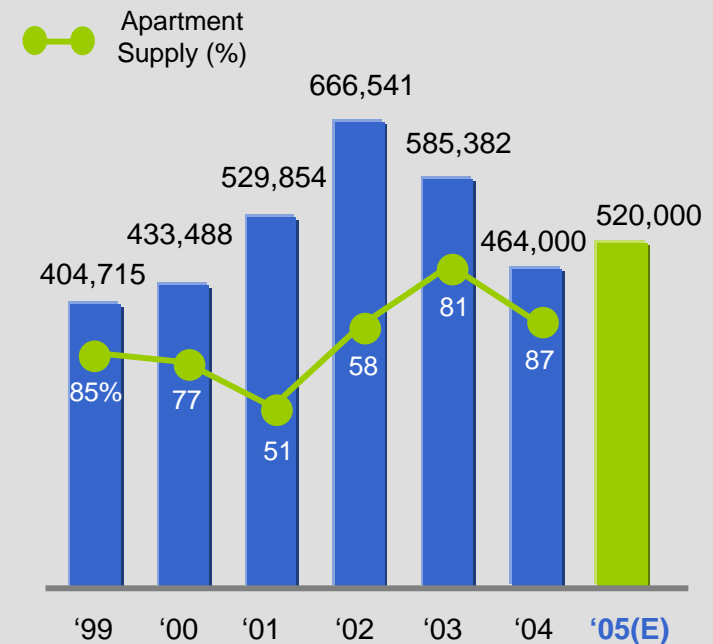
We expect Korea's construction market to remain sluggish in 2005. However, housing sector will be brighter than 2004 mainly due to government's boosting policies to increase housing supply.

## Contract Amount



Source : Construction Association of Korea (2005)

## Housing Supply



Source : Ministry of Construction and Transportation

# Investment Highlight - Solid Earnings from Affiliates

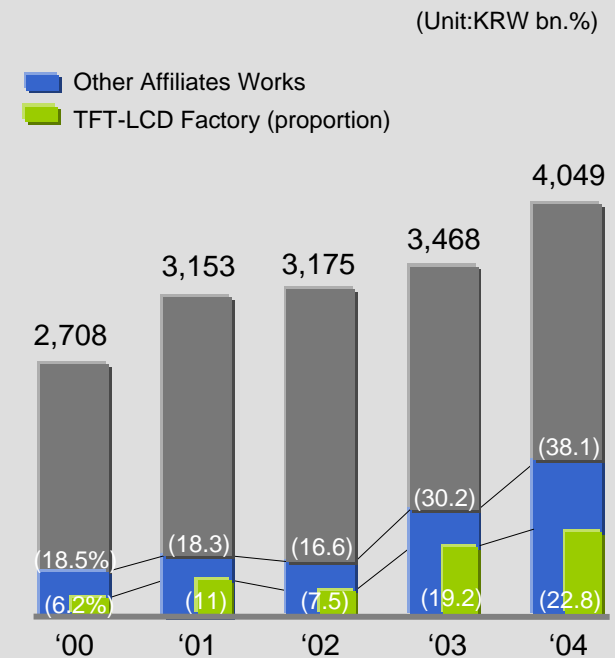
The 7<sup>th</sup> generation TFT-LCD factory project, worth KRW 1.3 trillion, is now under construction and set for completion by August 2005. Considering the current market situation, TFT-LCD projects will be a significant earnings contributor.

## TFT-LCD Factories

	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

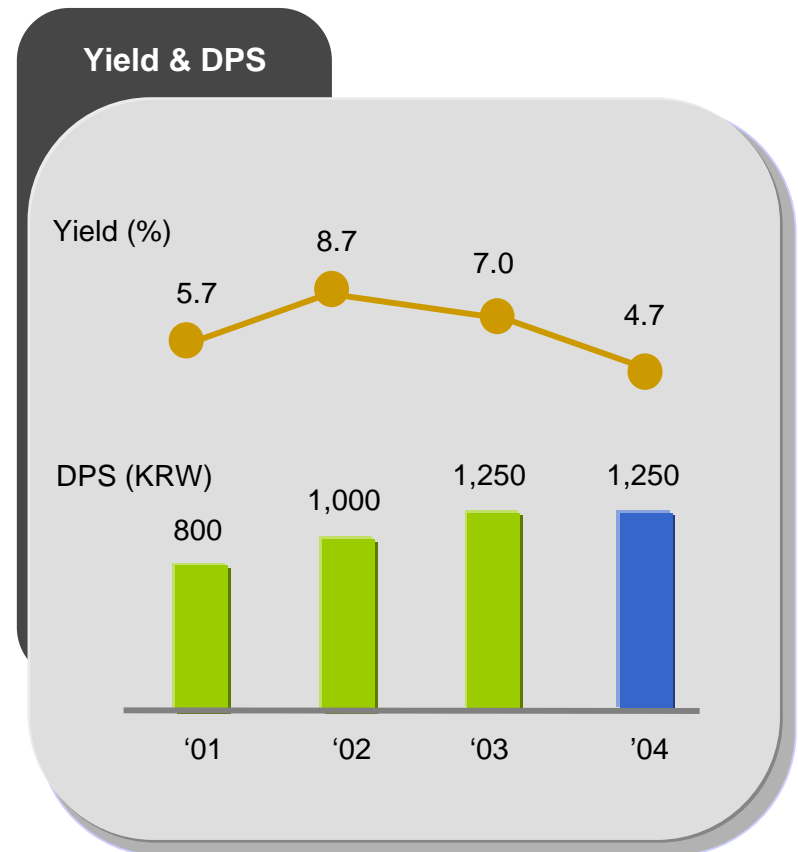
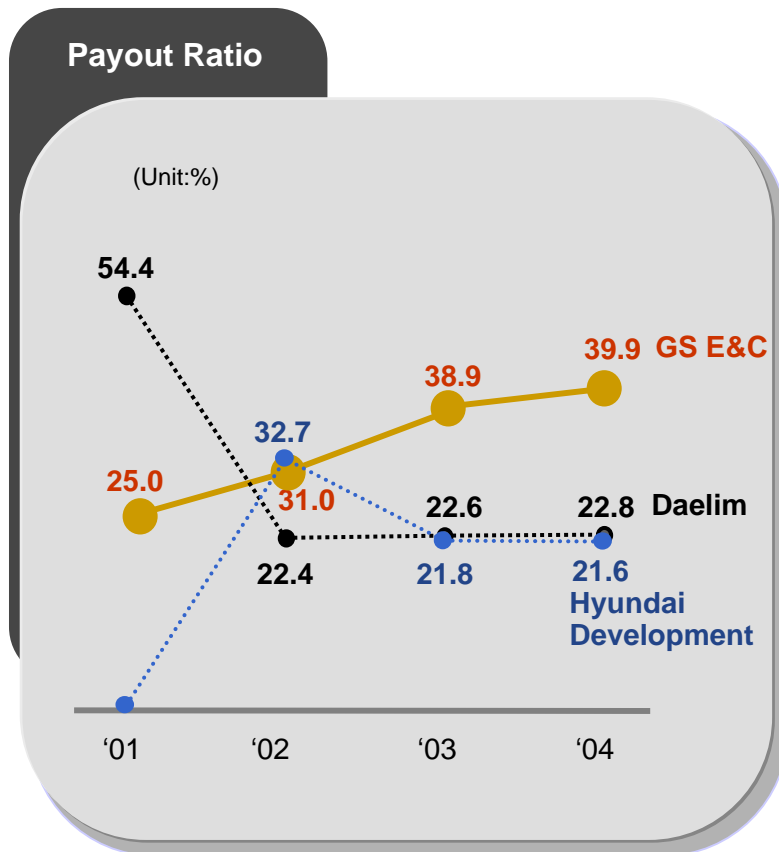
Total investment approx. KRW 25 tn. for the next 10 years

## Sales from Affiliates





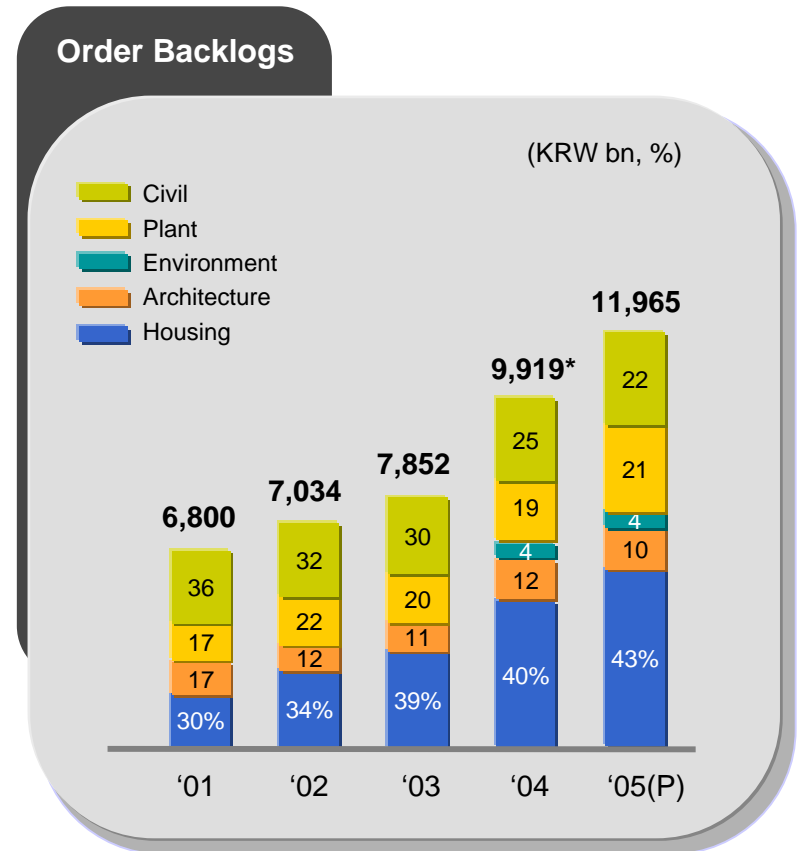
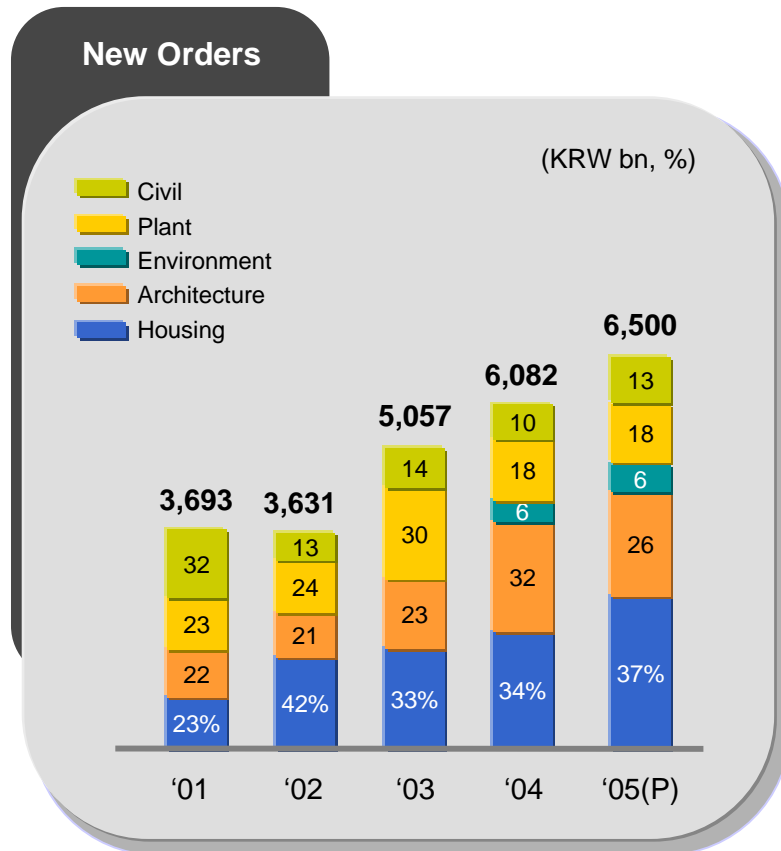
Our dividend payout ratio has increased 4 years in a row to 40% in 2004, while our peers' payout ratio remains at a low 20% for the past two years.



# Performance & Goal - New Orders and Order Backlogs



Despite the slowdown in construction market, GS E&C's new orders and order backlogs have increased significantly in 2004 due to our balanced business portfolio and abundant affiliate works.



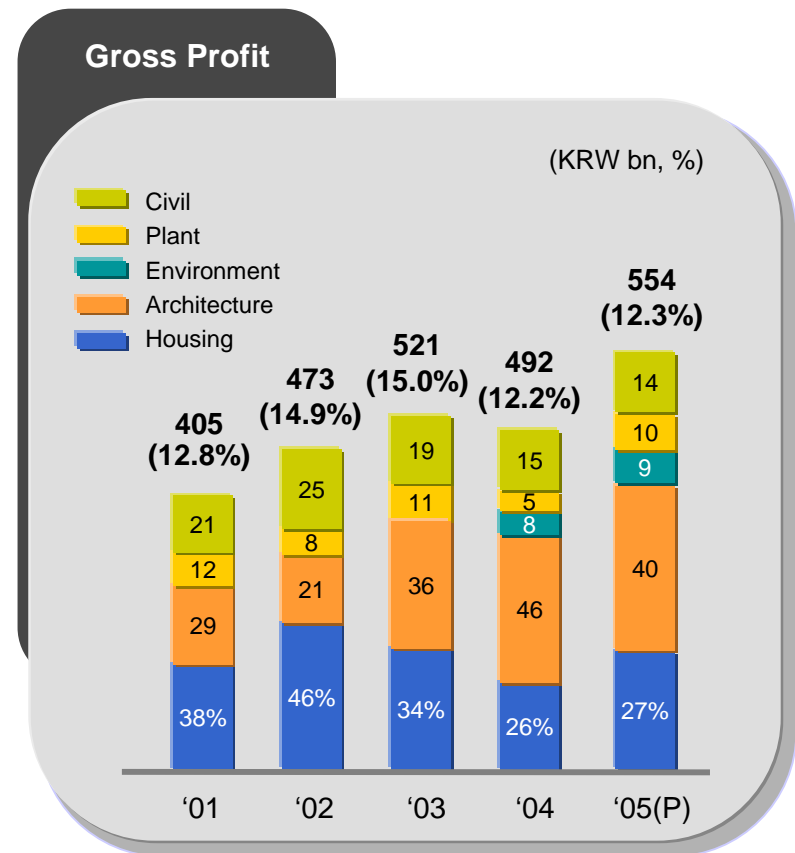
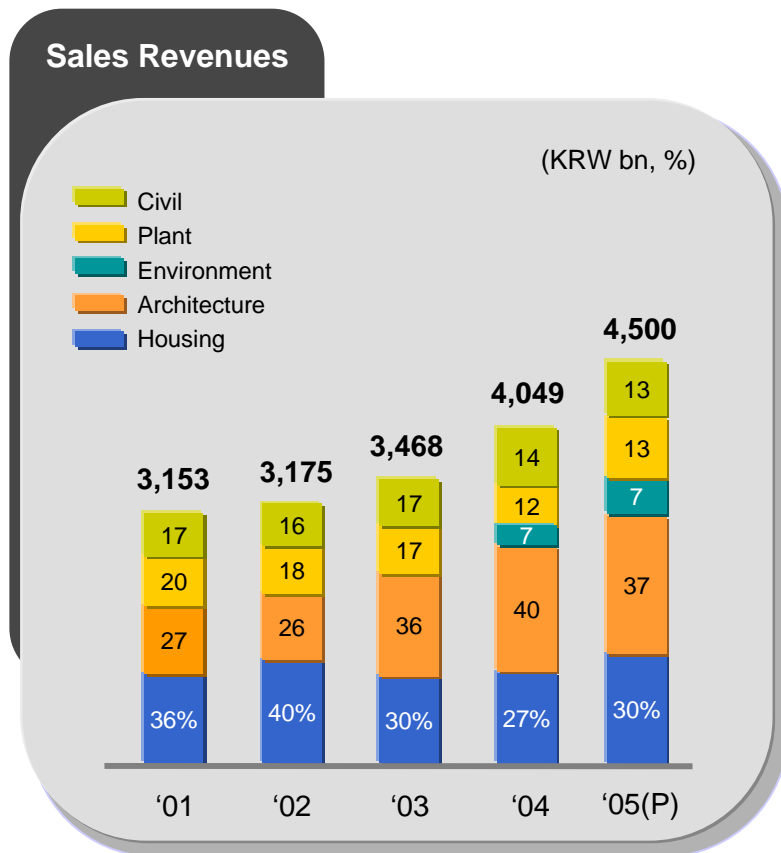
\*Approximately KRW 11 trillions of provisional order backlogs not included.

\*Exposure to Overseas - 11%, Affiliates - 15% in 2004

# Performance & Goal - Sales Revenues & Gross Profit

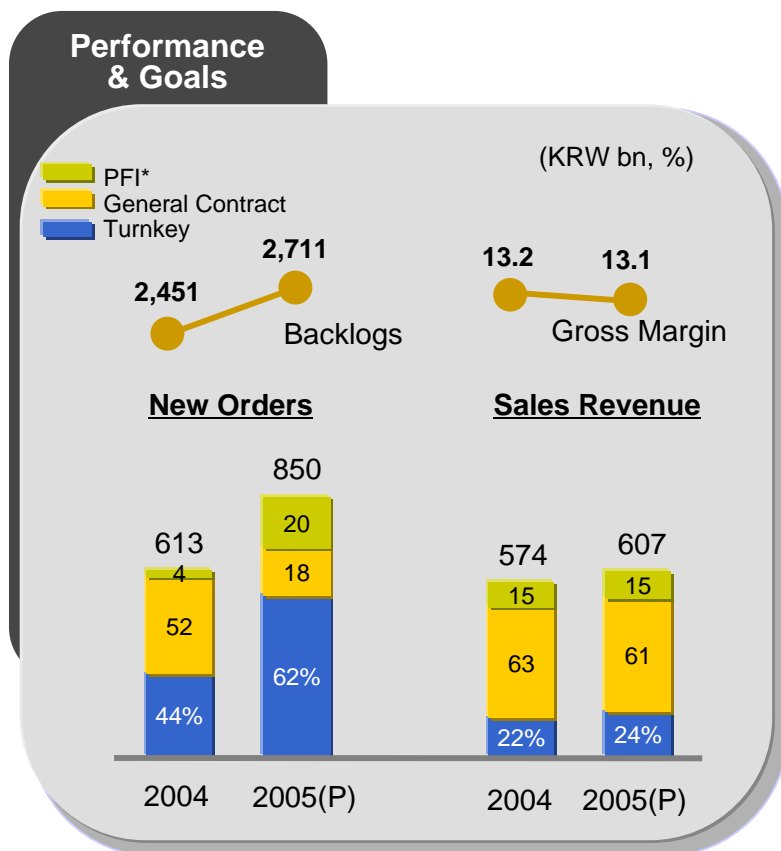


Gross margin fell due to high raw material prices in 2004. However, sales revenues increased substantially due to favorable performance of affiliate works.





GS E&C seeks opportunities for new PFI projects by disposing stakes in completed PFI projects and continuously focusing on securing new orders from public turnkey projects.



### Comment

**Performance**

- Expect new orders to increase in 2005 given delays in public bidding scheduled in 2004.
- Revenue from turnkey projects to continue to rise.
- Gross margin in 2005 to be maintained near 2004 levels

**PFI Projects**

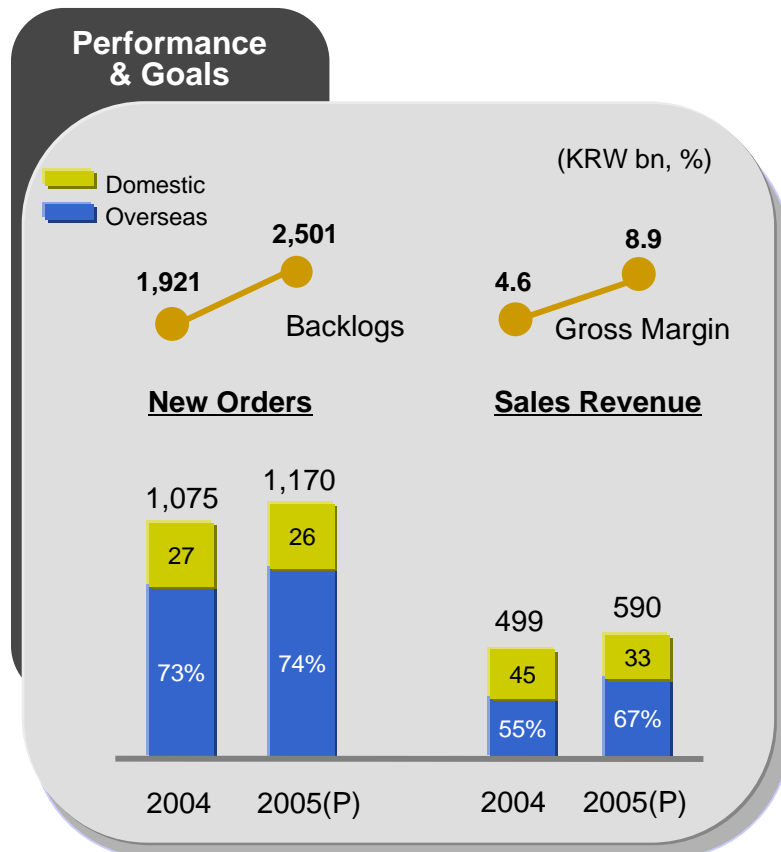
- Continue to sell stakes in completed PFI projects so as to re-invest in new projects
- Currently pursuing eight new projects

**Turnkey Projects**

- Won 4 projects out of 5 bids in 2004 (14 projects planned but many delayed)
- Planning to participate in 18 bids in 2005

\*PFI : Privately Funded Infrastructure

New orders from oil producing countries to increase due to the recent strength in oil prices. Sales revenue from overseas projects is also expected to rise.



**Comment**

**Performance**

- Plant division's new orders and sales revenue remain strong helped by rising overseas exposure.
- Gross margin is to improve in 2005 due to completion of low margin overseas projects.

**High Oil Price = Strong New Orders**

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

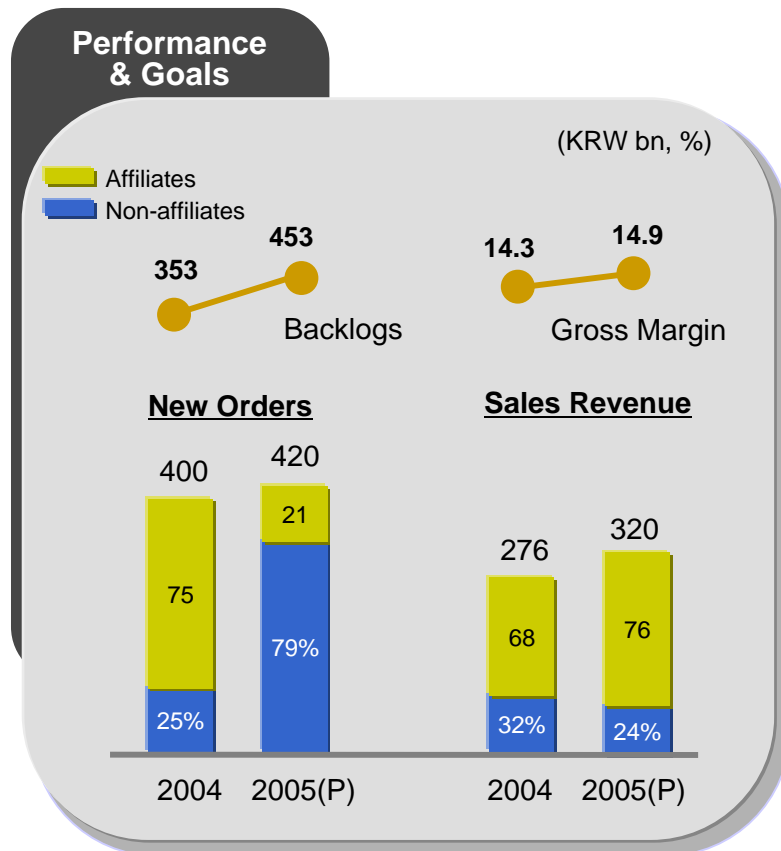
**Overseas will be a substitute market**

- Given weak domestic demand, overseas market is to provide good opportunities for new orders.

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



A significant portion of the division's 2004 new orders and sales revenue is from TFT-LCD factory construction (water treatment facilities). In 2005, we plan to contract more orders in public turnkey projects.



### Comment

**Performance**

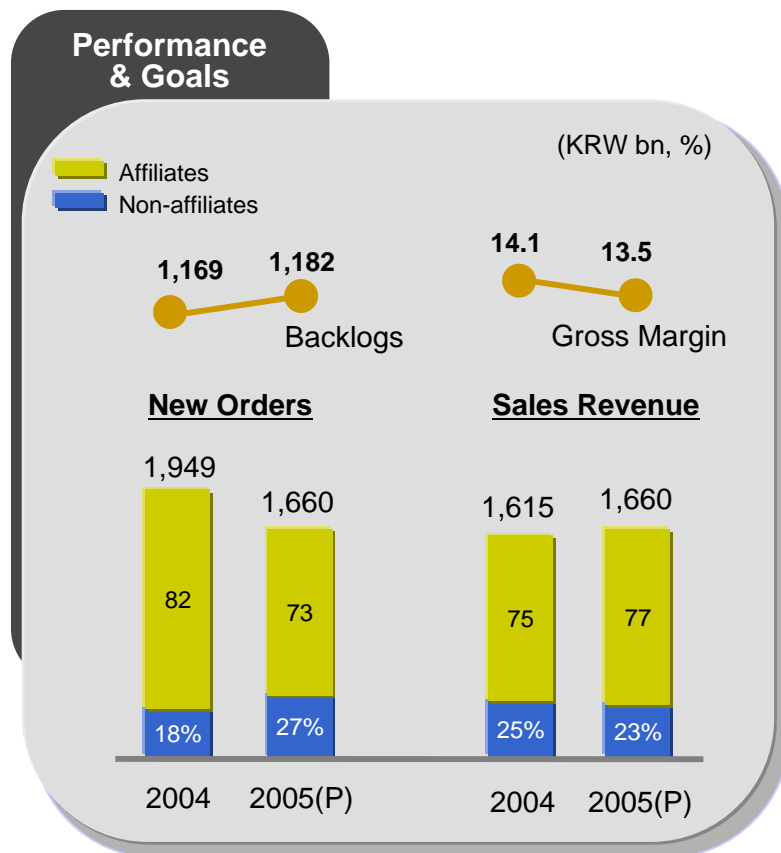
- 2004 new orders rose sharply due to TFT-LCD factory P7 project. Expect public projects to drive new orders in 2005.
- Sales revenue contribution from construction of TFT-LCD factories to remain high in 2005.
- The large proportion of affiliate works led to fairly good margin.

**Turnkey Projects**

- Won 4 project out of 6 bids in 2004 (14 bids planned, but many delayed)
- Planning to participate in 19 bids in 2005



Affiliate works contributed significantly to both new orders and sales revenue. This level of contribution is expected to continue in 2005.



### Comment

**Performance**

- New orders increased due to abundant affiliates works such as TFT-LCD (P7).
- Sales revenue also increased mainly due to the fast progress of TFT-LCD factories.
- Gross margin to be maintained between 13% to 15% level.

**TFT-LCD Factory**

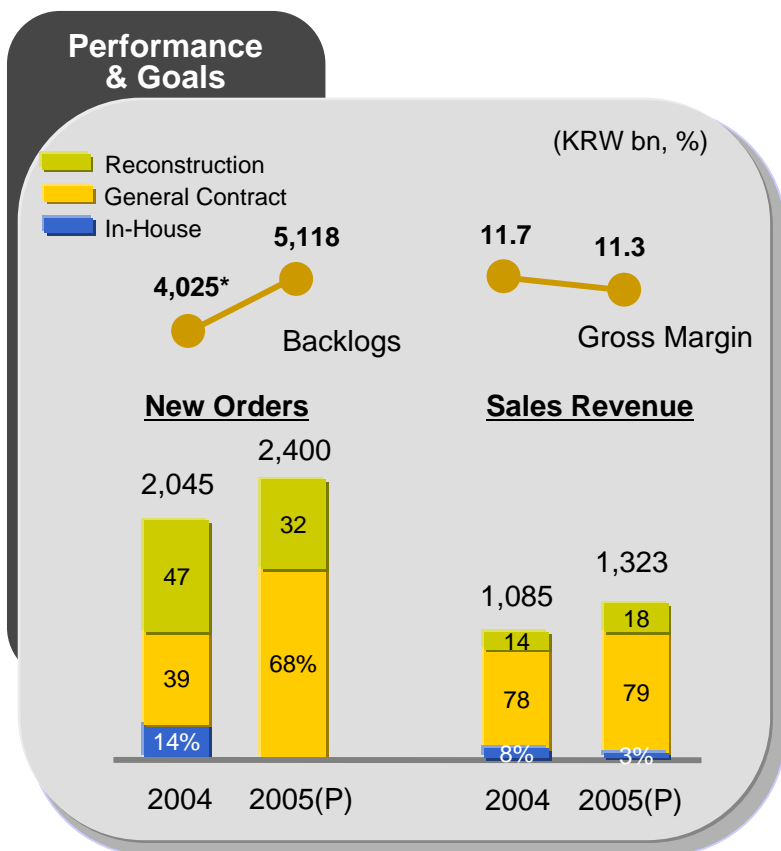
- P6 in Gumi completed in October 2004.
- P7 in Paju to be completed in August 2005.
- Anticipate further orders from P7 in 2005.

**Turnkey Projects**

- Won 5 projects out of 5 bids in 2004
- Plan to participate in 8 bids in 2005



New orders and sales revenues will grow substantially driven by reconstruction and general contract projects. GS E&C plans to expand its market share continuously in housing market.



### Comment

**Performance**

- New orders rose due to reflection of a new in-house project and contribution from reconstruction projects.
- Sales revenue shows steady growth.
- Gross margin fell because of weak business environment and high raw material prices.

**Increasing Housing Supply**

- 11,886 ('04) approx. 14,000 units ('05)

**Resuming In-house Project**

- In 2004, one in-house project was recognized as new order.
- Pursuing opportunities where feasible

\* Approximately KRW11 trillions of provisional order backlogs not included. (As of 2004)

## Appendix

- ✓ **New Corporate Identity**
- ✓ **GS Group**
- ✓ **Governance**
- ✓ **Financials**
- ✓ **Investments**
- ✓ **PFI Projects**
- ✓ **Provisional Order Backlogs in Housing Div.**
- ✓ **Major Material Prices**
- ✓ **Housing Market**
- ✓ **Growth Rate of Housing Price**



**High as the Sky, Blue as the Sea**

**GS, Korea's representing business  
entity preparing for big jump toward bigger world**




## Symbol

- Energy, Dynamics in Energy Business, Growth and Vitality of Retail & Service Business
- Simple and Dynamic feelings covering the Sun, the Sky and the Sea, the Green Earth

## Logo

- GS itself, not an acronym
- GS can be extended to various meanings according to demand  
ex) Good Service, Great Satisfaction, Great Solution, Great Success, etc

## Color

-  Orange : Energy, Dynamics, Sun, Passion
-  Green : Environment, Earth, Infinite Possibility, Growth, Willingness, Consideration
-  Blue : Leadership, Best, Solidity, Sky, Creativity

**LG E&C split off from LG Group and became an affiliated company of GS Group on July 1, 2004. We changed our name to GS Engineering & Construction Corporation after getting approval by the General Meeting of shareholders on March 18, 2005.**

## Why Split

### ❖ Expertise in Service Business

Increase synergy effect and managerial efficiency by grouping similar natured business

### ❖ Efficient Investment

Concentrate on energy, retail and service business; differentiate from LG Group's manufacturing oriented investments

### ❖ Transparent Management

Simplify shareholding structure of two families, and reorganizing governance by setting up holding company

## Milestone

Incorporated into GS Group, LG E&C changed its name into GS E&C after getting approval by the Annual General Meeting of shareholders on March 18.

- ❖ July 1. 2004      GS Holdings Corp. formally inaugurated
- ❖ Jan. 27. 2005    FTC\* endorsed the split
- ❖ Feb.15. 2005    New CI Press Conference
- ❖ Mar. 18. 2005    Approved at the General Meeting of Shareholders
- ❖ Mar 31. 2005    New CI Declaration Ceremony

\* Fair Trade Commission



(unit: KRW bn)

Company Name	Asset (2004)	Sales (2004)
❖ GS Holdings	2,665	274
<div style="border: 1px dashed black; padding: 5px;"> <p>subsidaries</p> <ul style="list-style-type: none"> <li>@ GS CALTEX                             <ul style="list-style-type: none"> <li>GS Power 814 389</li> <li>Haeyang City Gas 155 173</li> <li>Surabul City Gas 414 29</li> <li>CETI 0.8 0.09</li> <li>Oil Chain 4 0.7</li> </ul> </li> <li>@ GS Retail 1,478 2,209</li> <li>@ GS Home Shopping 420 505                             <ul style="list-style-type: none"> <li>Ulsan Cable TV 17 7</li> <li>LTS 4 -</li> </ul> </li> <li>@ GS Sports 23 -</li> </ul> </div>		
❖ GS E&C	3,303	4,049
▶ @ Hanmoo Development	748	170
	17,931.8	21,868.8

### Total Asset ('04)

1	Samsung
2	LG
3	Hyundai Motors
4	SK
5	Hanwha
6	Lotte
7	<b>GS</b>

\* Excluding state-running enterprises

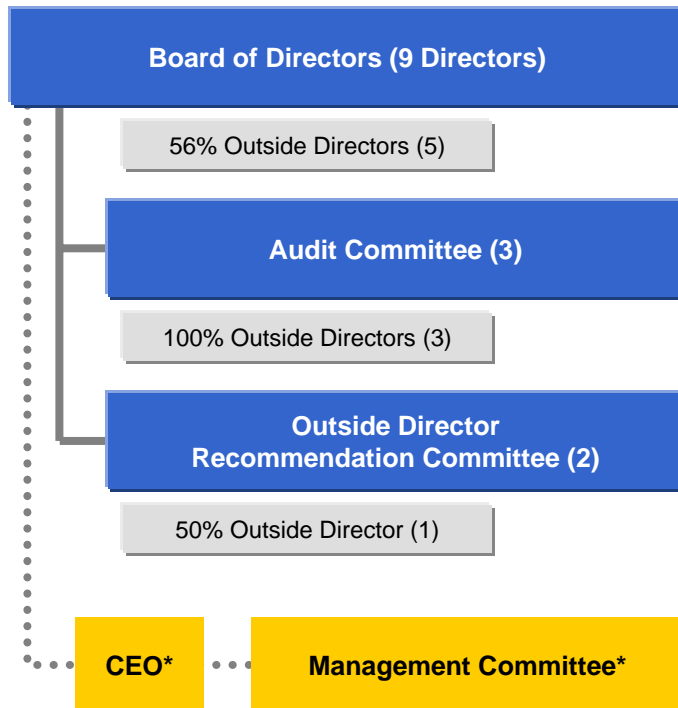
### Turnover ('04)

1	Samsung
2	LG
3	Hyundai Motors
4	SK
5	Hanwha
6	<b>GS</b>
7	Lotte

\* Excluding state-running enterprises

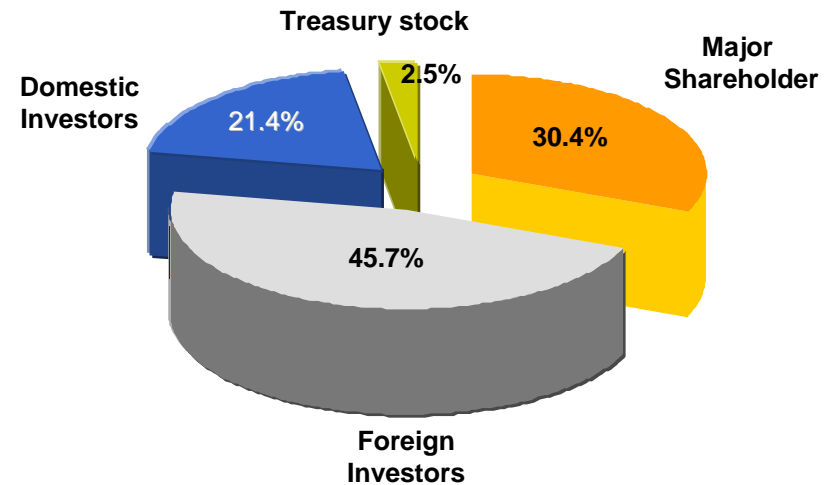
## Corporate Governance

(As of Dec., 2004)



## Ownership Structure

(As of Dec., 2004)



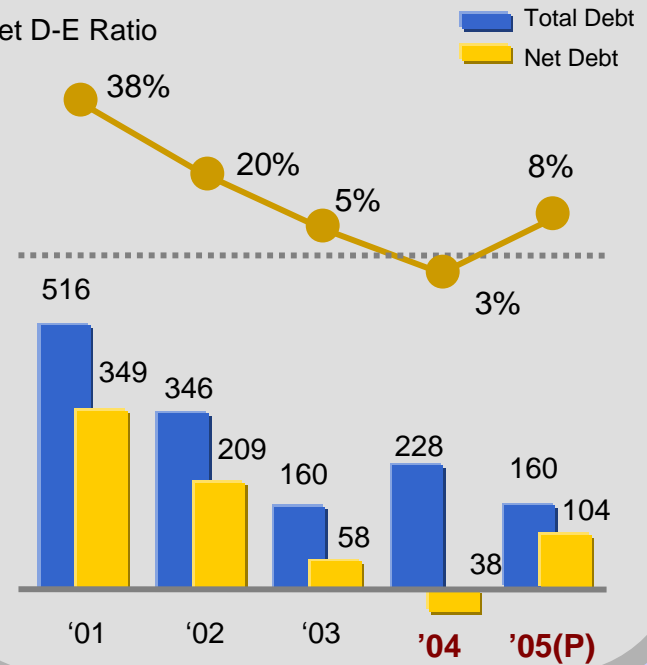
## Financial Structure

		(KRW bn)		
		2003	2004	2005 (P)
<b>Total Assets</b>		2,690	3,303	3,131
<b>Total Liabilities</b>		1,535	2,006	1,716
<b>Total Equities</b>		1,155	1,297	1,415
	Capital	255	255	255
	Retaining	764	855	985
<b>L-E Ratio(%)</b>		133	155	121
<b>Asset Turnover Ratio (Times)</b>		1.29	1.35	1.49

## Borrowings

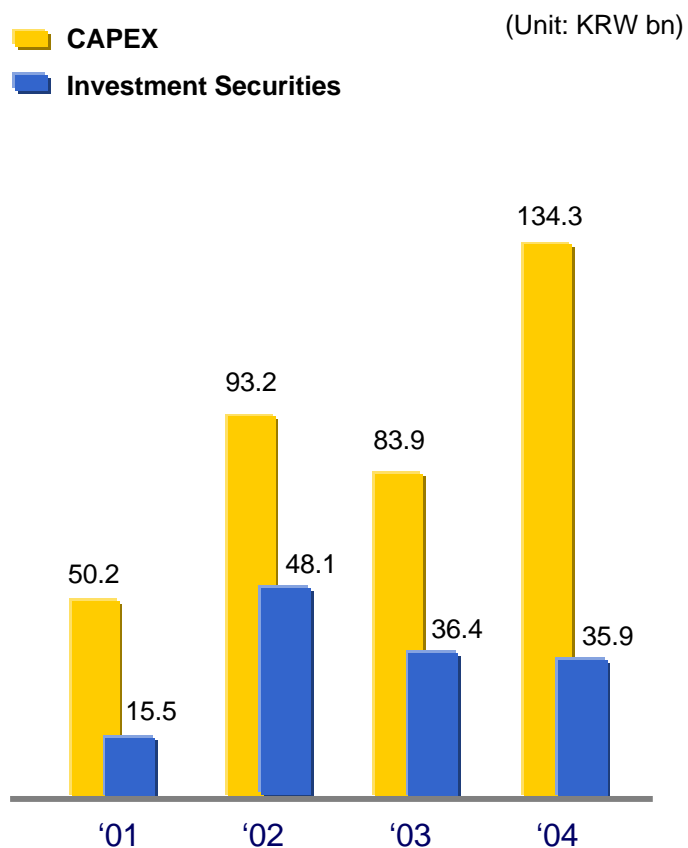
(Unit:KRW bn)

Net D-E Ratio





## Investment Trends



\* All figures are net amounts

## 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>

# Appendix - PFI Projects



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(As of Dec., 2004)

(Unit: KRW bn)

Status	Name of Project	GS 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

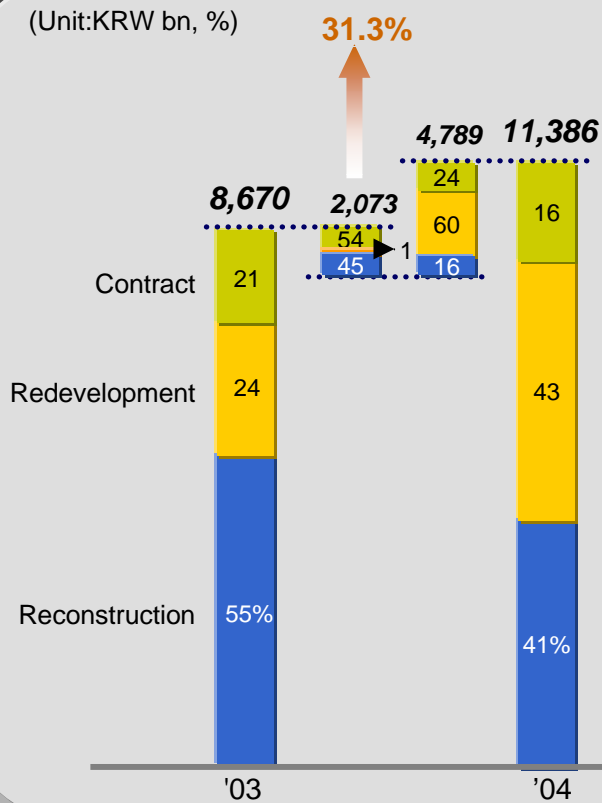
Status	Name of Project	Consortium Leader	GS Shares (%)	Investment Plan	Invested Amount	Contract Amount
<b>Under Investment</b>	Kangnam Beltway	Doosan	11.5%	27.0	1.2	97.1
	<b>Sub-Total</b>				<b>27.0</b>	<b>1.2</b>

# Appendix - Provisional Order Backlogs in Housing Div.



## Provisional Order Backlogs

(Unit:KRW bn, %)



## By Sectors

(Unit:KRW bn)

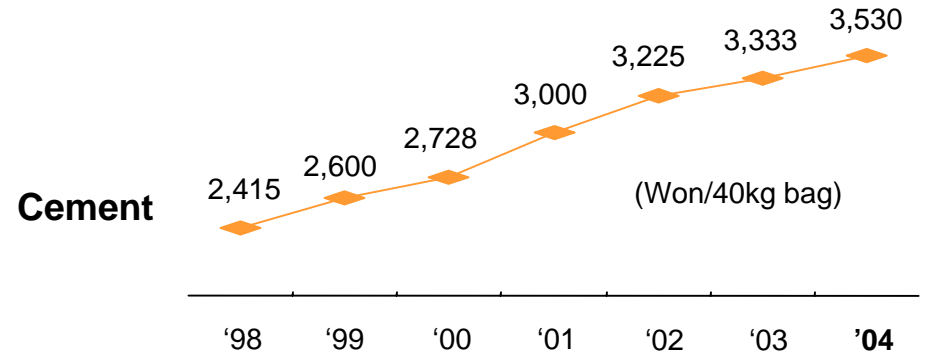
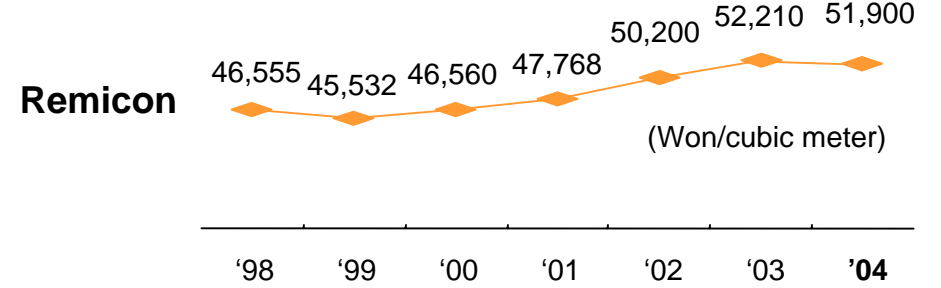
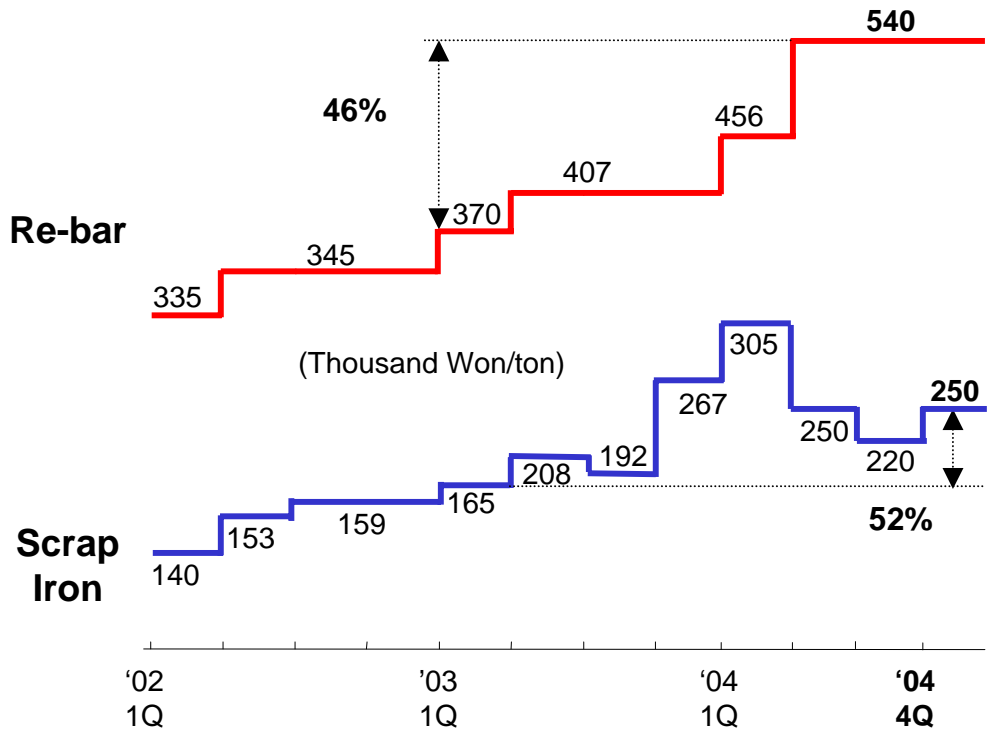
Description	'03	New Order Recognition ('04)	New Provi.Order ('04)	'04
Reconstruction	4,788	929	784	4,643
Redevelopment	2,041	24	2,862	4,879
Contract	1,841	1,120	1,143	1,864
<b>Total</b>	<b>8,670</b>	<b>2,073</b>	<b>4,789</b>	<b>11,386</b>

## New Provi. Order

(Unit:KRW bn)

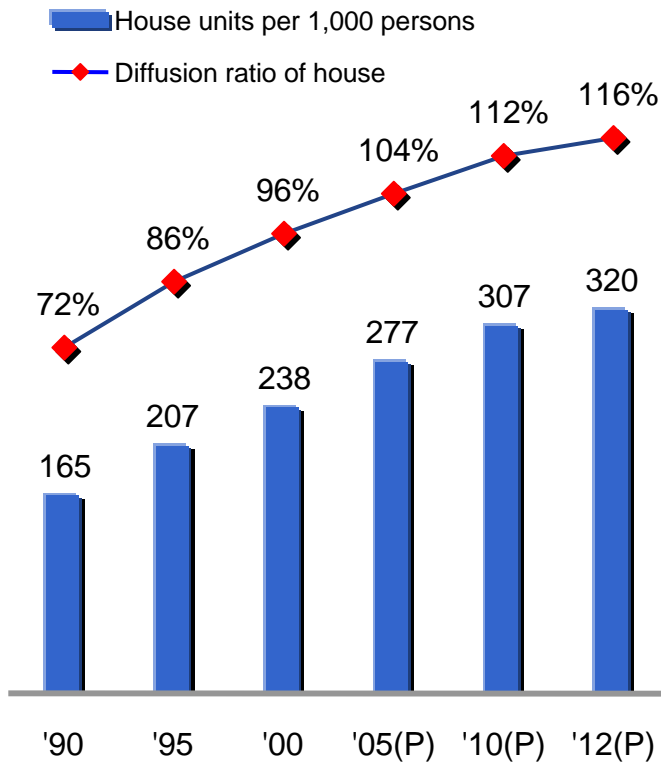
Description	Project	Amount
Reconstruction	Seongnam Sinheung	220
	Others	564
	<b>Total ( 7 project )</b>	<b>784</b>
Redevelopment	Daeyeon 2	335
	Noryangjin Newtown	509
	Others	2,018
	<b>Total ( 18 projects )</b>	<b>2,862</b>
Contract	Sinbong Suji	223
	Siksadong Goyang	621
	Others	299
	<b>Total ( 12 projects )</b>	<b>1,143</b>

# Appendix - Major Material Prices



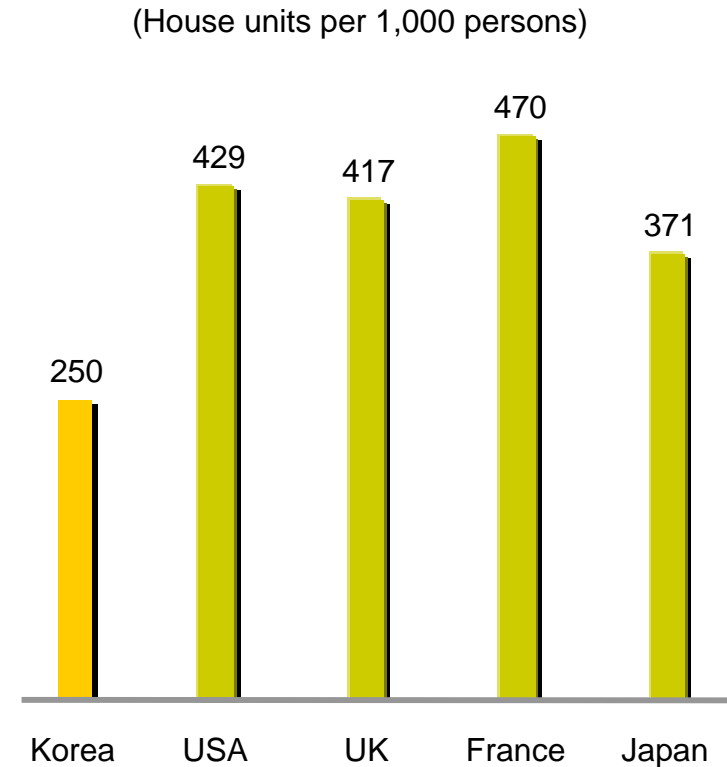


## House Units per 1,000 Persons

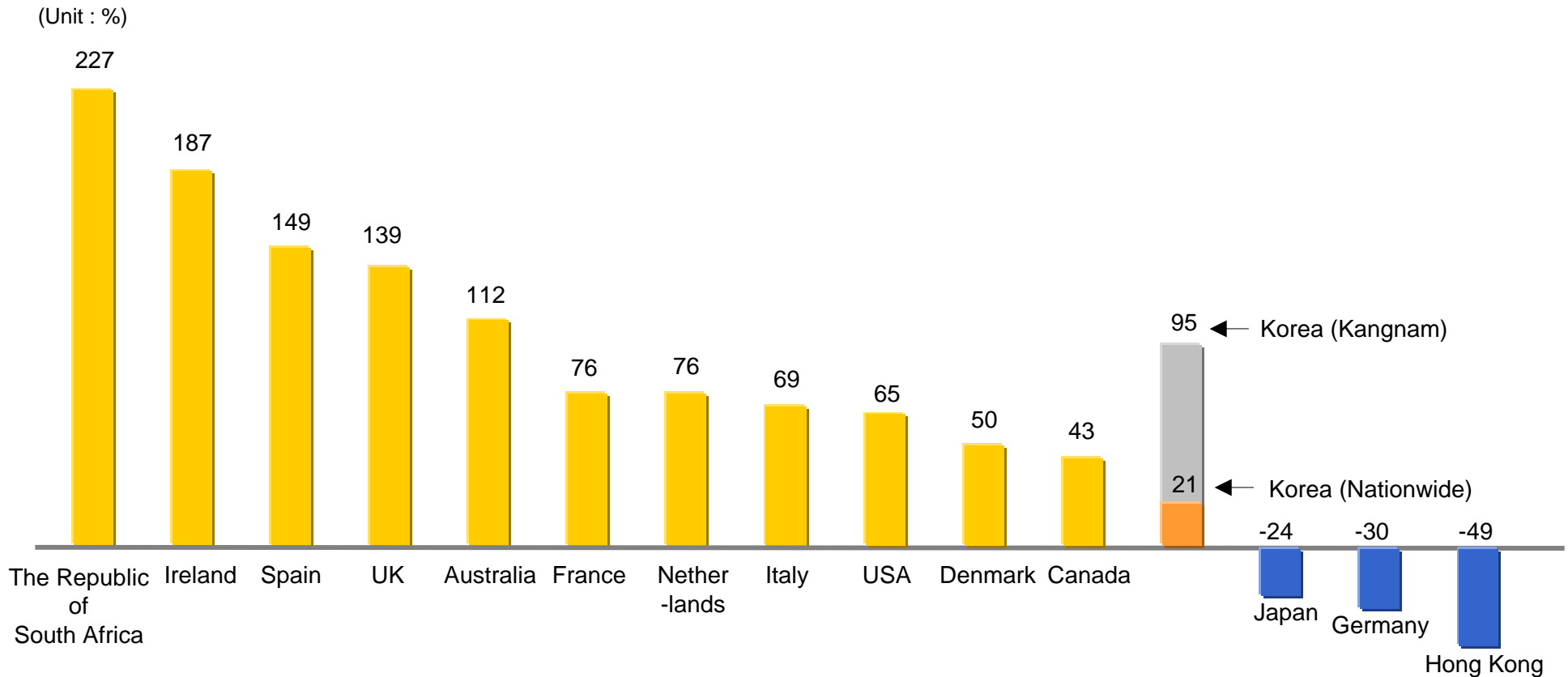


\* Source: "Comprehensive Housing Plan(2003 - 2012)"  
Korea Research Institute for Human Settlements

## Comparison with Developed Countries (2002)



# Appendix - Growth Rate of Housing Price



Period : 1997 ~ 2004

Source : The Economist, Kookmin Bank



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