

2002 Earning Release

2003. 2. 5



LG Engineering & Construction Corp.

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Notes

(A) Changes in the standard application of accounting

1.Changes in valuation method of SOC investment securities that our share is over 20%

- Before : Apply the Equity Method to a company which we hold over 20% of shares.
- After : Apply the Cost Method to a company even we hold over 20% of shares, if we can not exercise material influence over the company.

2.Changes in recognition timing of dividend payables as liability in financial statements.

- Before : Recognize the stock dividends as liabilities, that are stated in the statements of appropriations of retained earnings which has been approved by the board of directors.
- After : Do Not recognize the stock dividends as liabilities, that are stated in the statements of appropriations of retained earnings which has been approved by the board of directors.

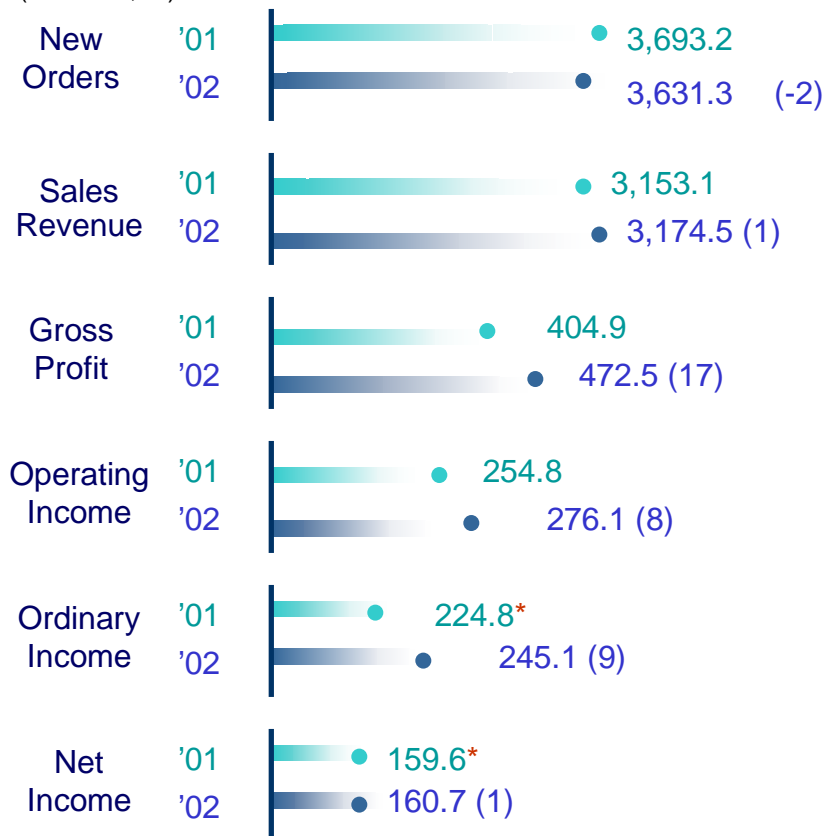
*** As a consequence of above changes, the figures in the financial statements of 2000 and 2001 have been adjusted, and this material is prepared according to these adjustments. (marked with*)**

(B) The business plan of 2003 contains the 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.

Revenues and earnings for '02 increased, while new orders decreased slightly compared with '01.

'02 Business Performance

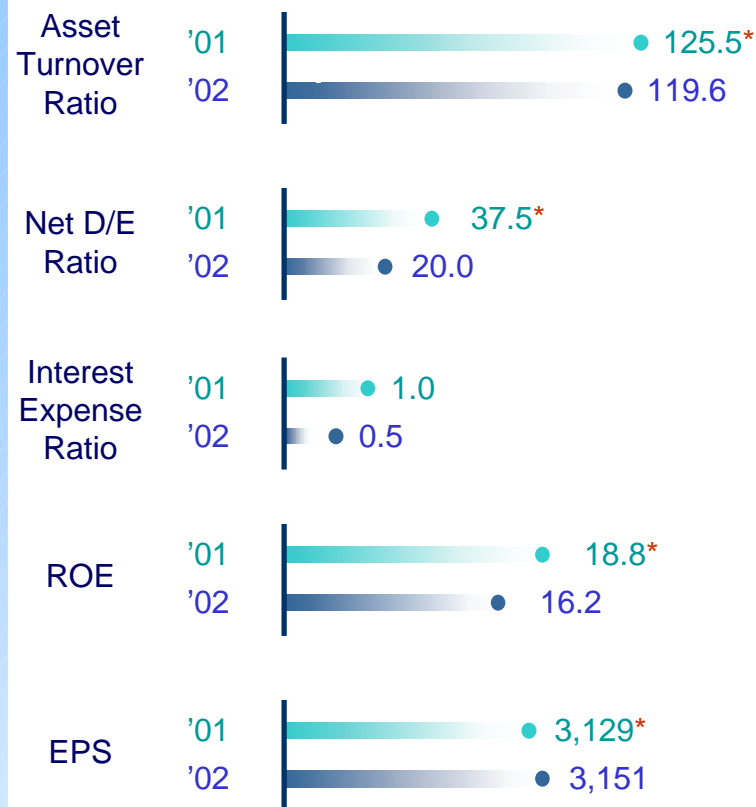
(₩ billion, %)



Note : () Variation Rate

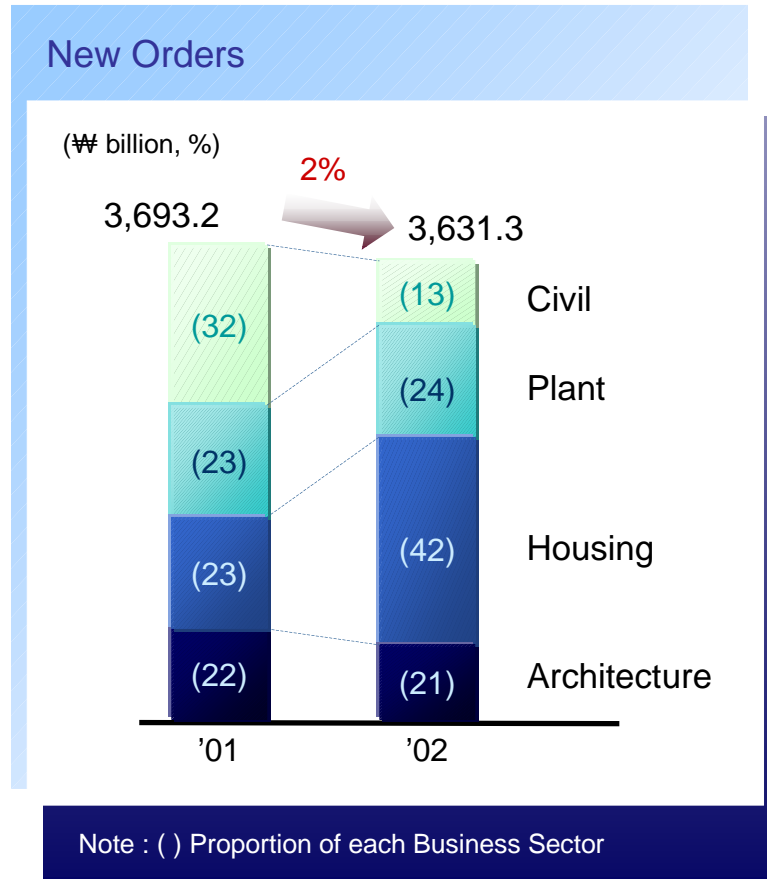
Financial Indices*

(%, ₩)



Excluding potential backlog of new reconstruction projects. ('01: Approx. KRW 1 trillion / '02: Approx. KRW 1.6 trillion)

Even with the sharp increase in Housing Division, new orders for '02 decreased 2% (YoY) to KRW 3.63 trillion, due to the significant decline in Civil Division.

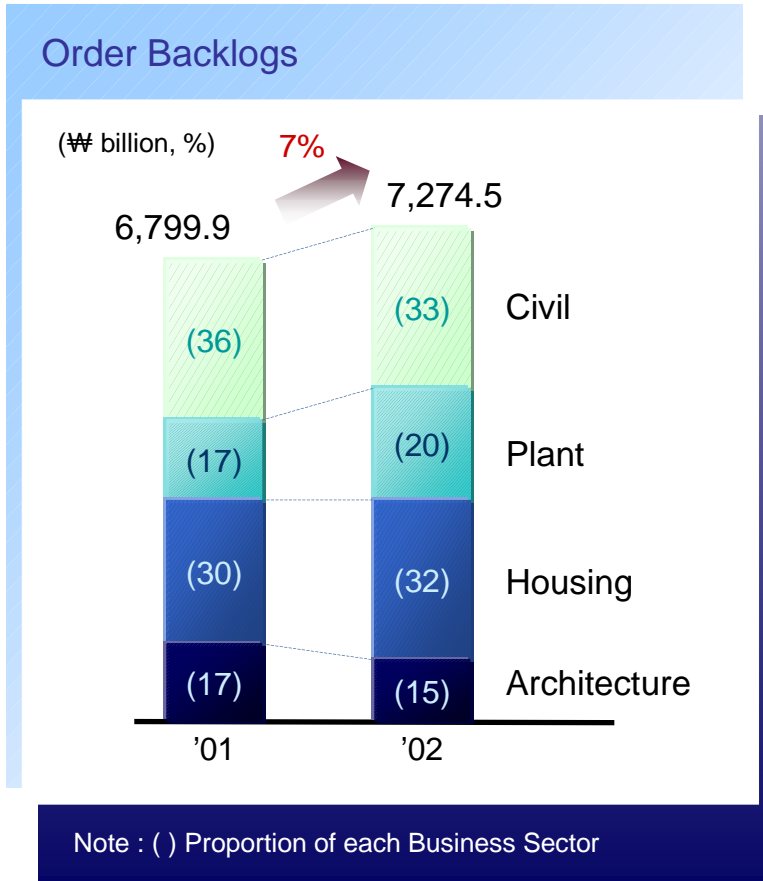


Comments

- Sharp increase in Housing division due to the government approvals of several reconstruction projects in Kangnam and also continuous awards of contract projects around metropolitan area.
- Decrease in Civil division due to the base effect of lowest bidding projects awarded at the end of '01.
- Slight decrease in Architecture division due to the harsh market situation but shows relatively steady level of new orders.
- Increase in Plant division due to the active business in Middle East areas such as Turkey and Kuwait, and also the improved domestic market.

Excluding potential backlog of new reconstruction projects. ('01: Approx. KRW 1 trillion / '02: Approx. KRW 1.6 trillion)

Order backlogs at the end of '02 increased 7% (YoY) to KRW 7.27 trillion, which is equivalent to work volume for 2.3 years based on the annual revenues of '02.



Comments

- Slight decrease in Civil division due to the completion of the large private SOC projects and sharp decrease of new orders.
- Increase in Housing division that generating steady revenues, due to the rapid increase of new orders even with completion of number of large projects.
- Increase in Plant division with improved domestic new orders.
- Slight decrease in Architecture division due to the declined new orders.

Excluding potential backlog (Approx. KRW 3.6 trillion) of reconstruction projects.

Revenues for '02 increased slightly by 1% to KRW 3.17 trillion due to the continuous revenue growth in Housing division even though revenues from other divisions declined.



Comments

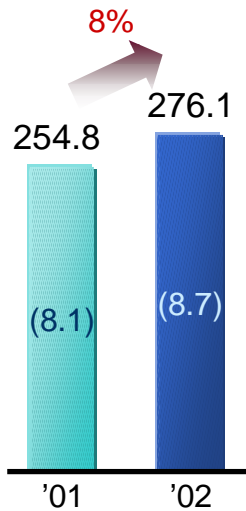
- Continuous increase in Housing division due to the active construction works with plenty of order backlogs .
- Decrease in Plant and Architecture division due to the completion of large scale NODCO project in Qatar and declined domestic investments respectively.
- Slight decrease in Civil division due to the many early stage of new projects and the progress delay in Seoul Outer Ring Road Project (Private SOC Project).

Operating, ordinary and net incomes increased by 8%, 9% and 1% respectively (YoY), recording best profitability ever.

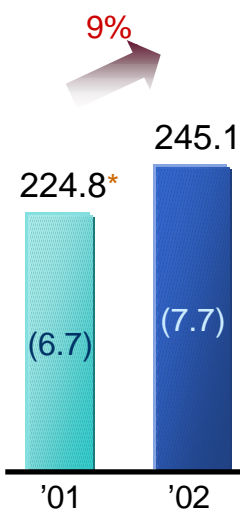
Profits

(₩ billion, %)

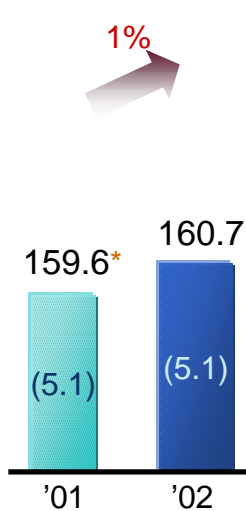
Operating Income



Ordinary Income



Net Income

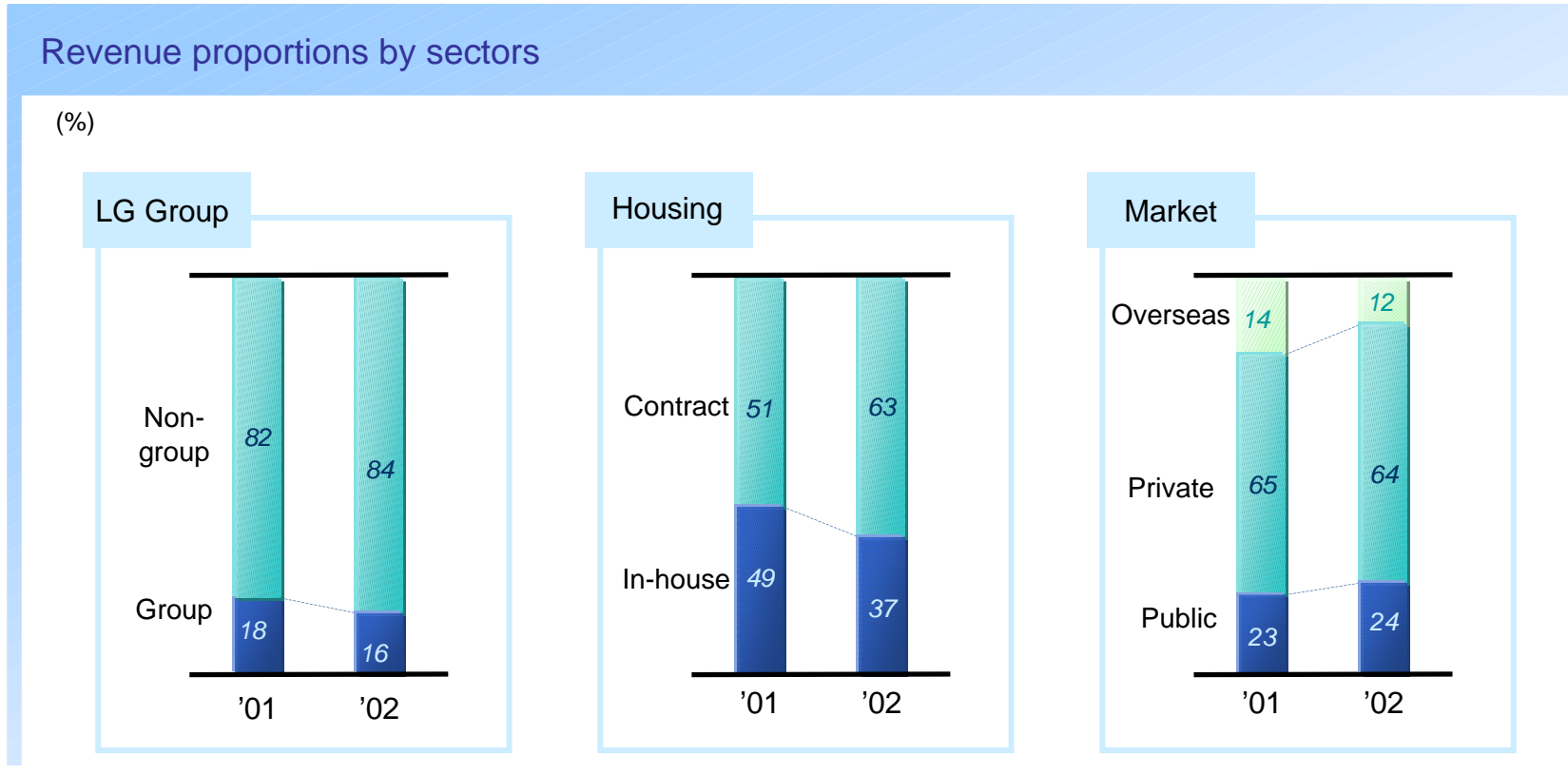


Note : () Margin

Comments

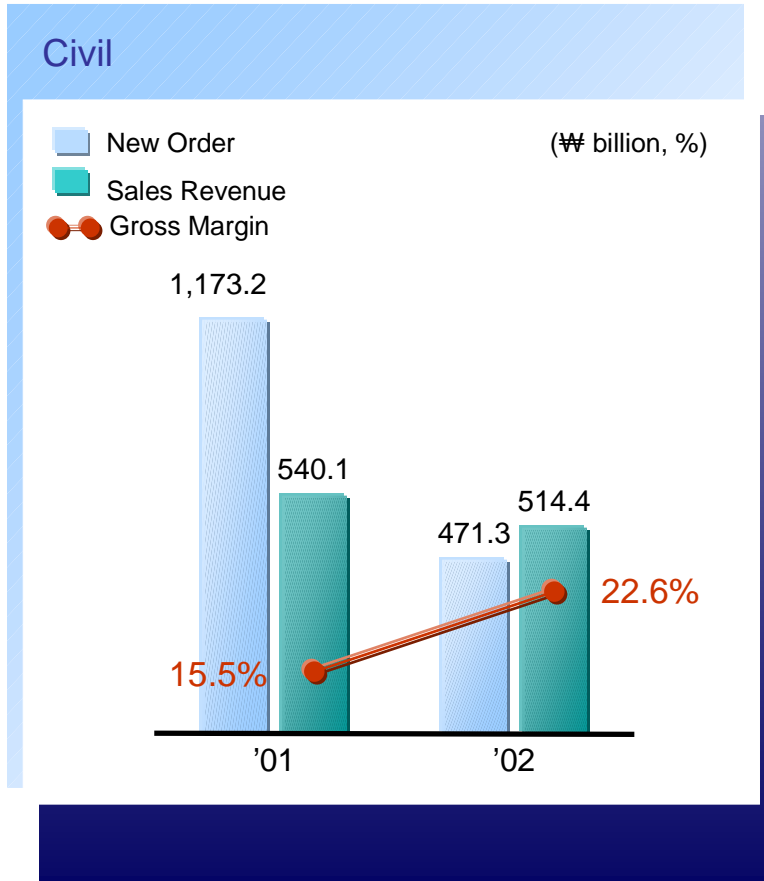
- With 17% increase (YoY) in gross profit due to the continuous efforts to reduce the costs, operating income also increased despite of the increase in selling and administrative expenses including the bad debt losses and advertisement.
- Since losses on valuation of tangible asset (building) and losses on inventory valuation has been increased, while interest expenses and losses on valuation under equity method has been decreased, the non-operating activities maintained its level around '01. But with increased operating income, the ordinary income also increased.
- Extraordinary losses, overseas operation translation debit of KRW 14.1 billion in '02 have been reflected.

While the portion of contract based projects in Housing division and the public sector projects are increasing, the portion of LG Group related works are decreasing.



Note : *Italic - Proportion of each sector*

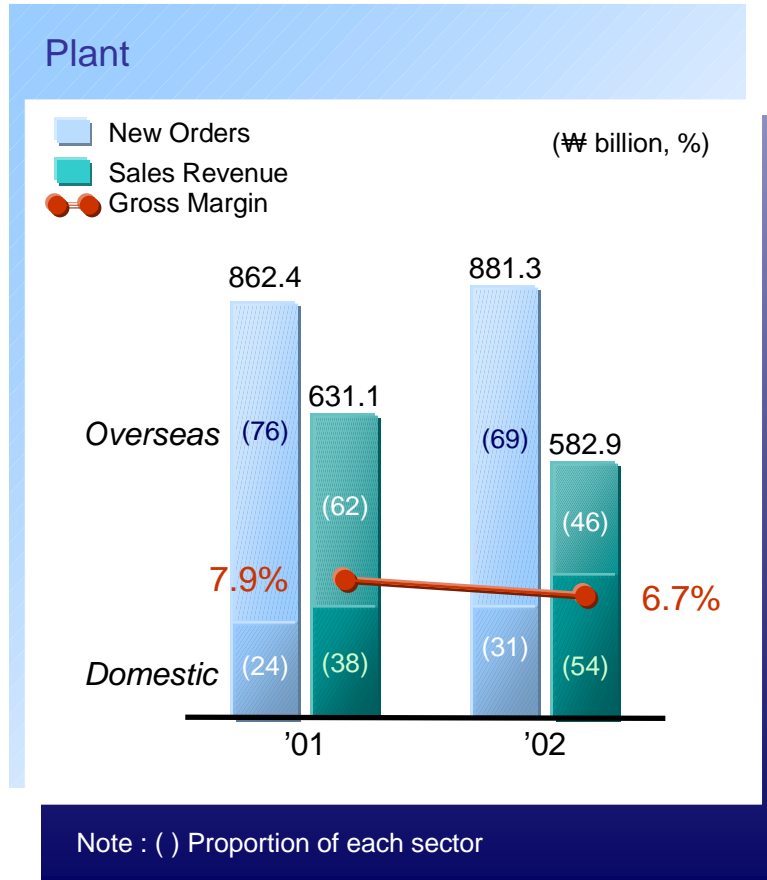
New orders of Civil division decreased substantially and revenues declined slightly.



Comments

- Although new orders of '02 looks as if it has been reduced significantly due to an extensive new orders received from the lowest bidding at the end of '01, the quality of the new orders of '02 is very good with Turnkey and private SOC projects taking 55% of the total.
- Slight decrease of revenues due to the number of newly started construction works and the delay of progress in Seoul Outer Ring Road Project (Private SOC Project).

Increase in new orders of Plant division due to the rise in domestic new orders, but revenues decreased slightly with the completion of a number of large projects in early '02.



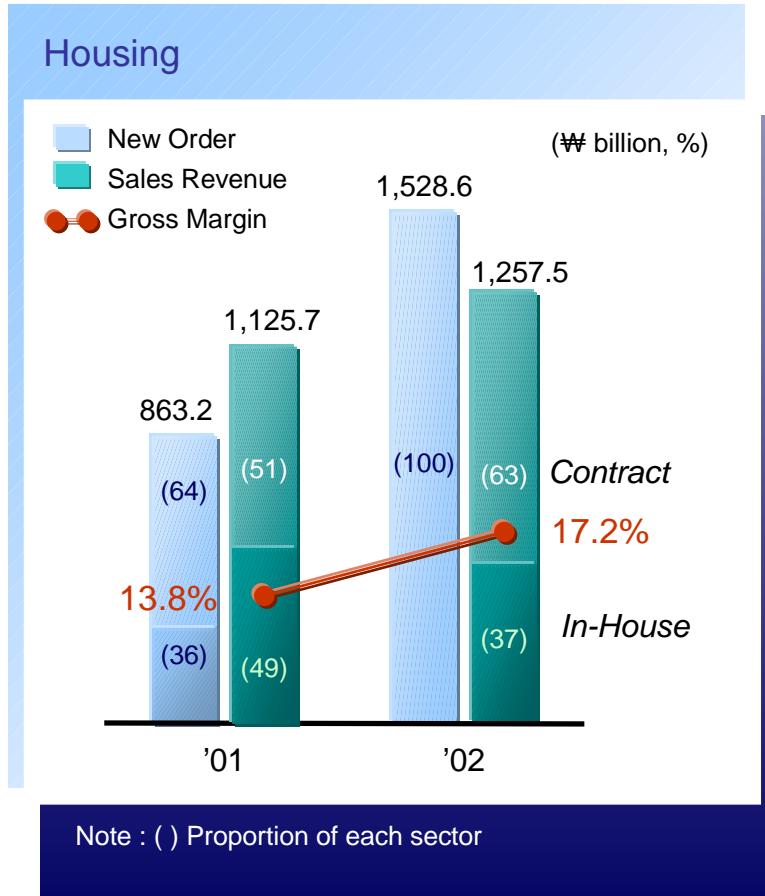
Comments

- Slight increase of new orders due to the active business in Middle East areas such as Turkey and Kuwait, and also because of the increased orders from the domestic market.

(South Pars project (U\$ 655mil.) is expected to be recognized as new orders in '03 after receiving the advance payments)

- Decrease of revenues due to the delay of new construction works after the completion of large projects such as NODCO in early part of '02.

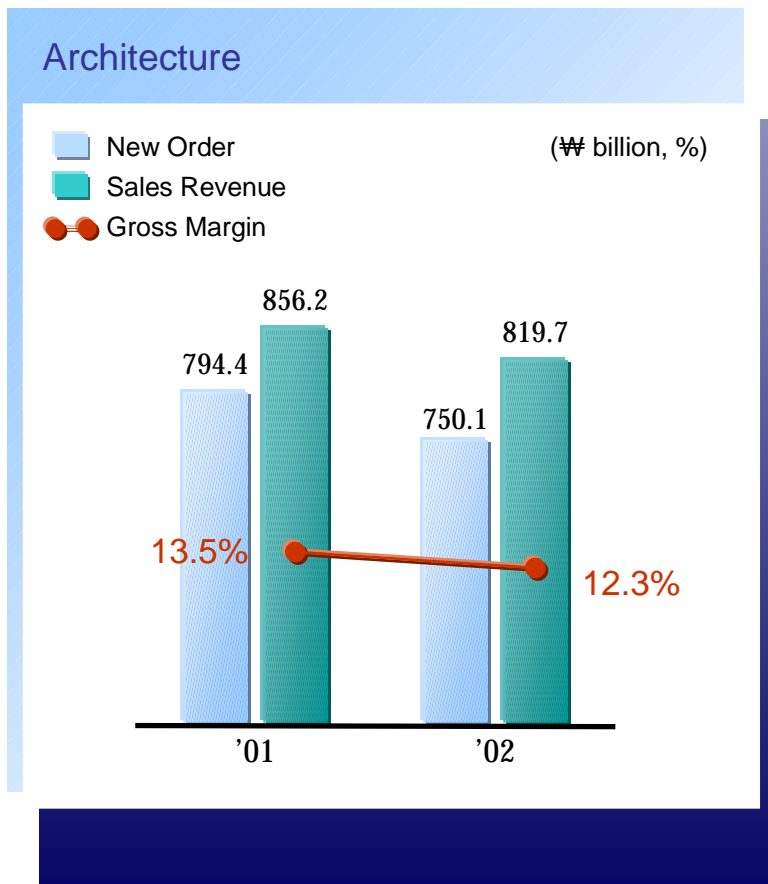
New orders of Housing division increased substantially due to the approval of several reconstruction projects and revenues also increased with active construction works in progress.



Comments

- Sharp increase of new orders due to the government's approval of 5 reconstruction projects and others such as residential-commercial complex project.
- Significant increase of revenues with the completion of the large projects and the active construction works in progress based on the plenty of order backlogs, while the trend of the in-house projects is declining.

Both new orders and revenues decreased slightly since the demand for general buildings from the private sectors has not been recovered yet.

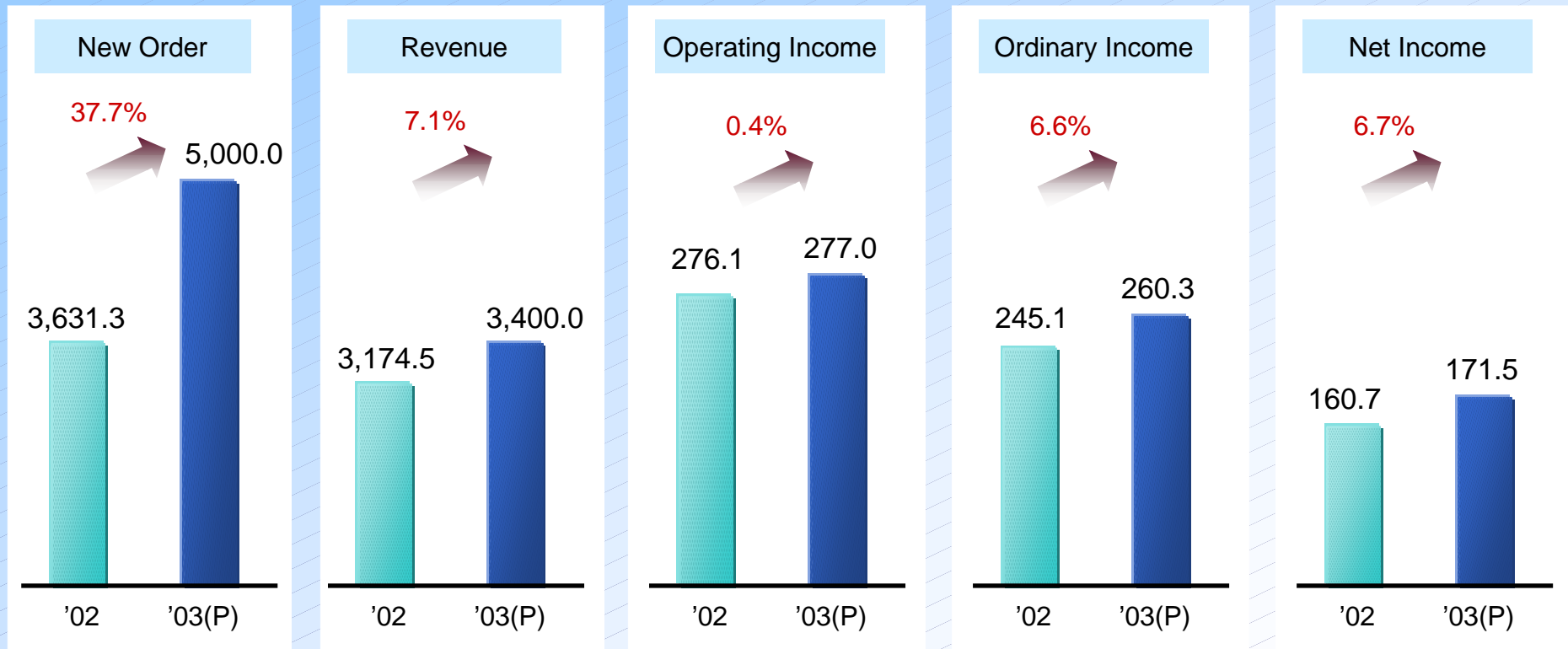


Comments

- Slight decrease of new orders due to the delay of a number of expected orders and the continuous depression of the demand for new buildings.
- With increased number of newly started projects, revenues also decreased slightly.

Under the management policy of “Moving forward with affirmative action for growth” in ‘03, epochal increase of new orders in public sectors and redevelopment and enter into new businesses such as power plant and harbor through aggressive marketing.

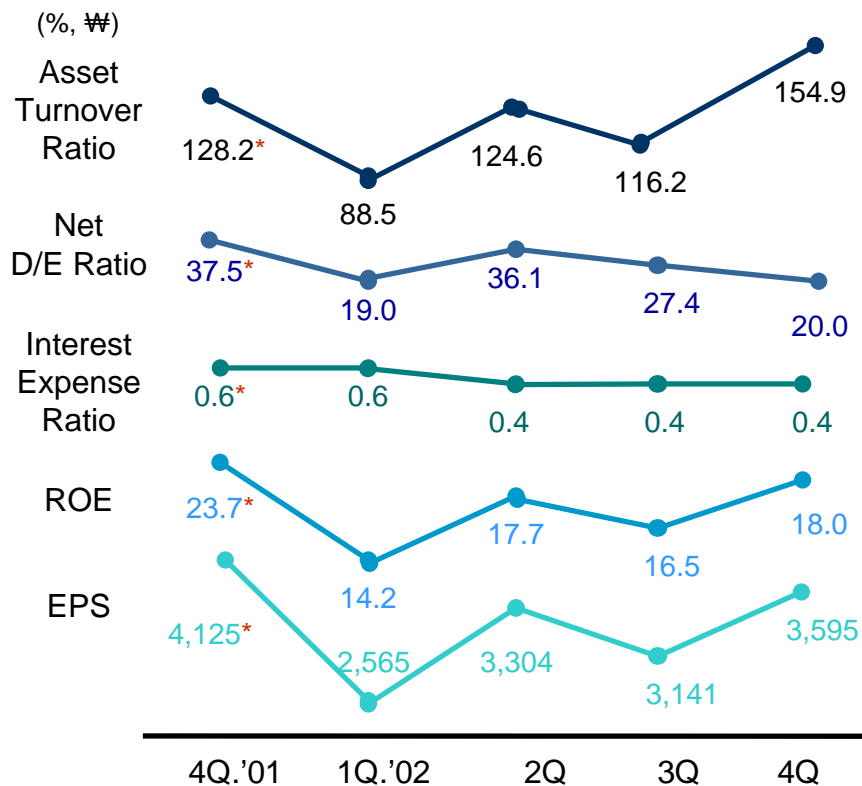
Business Performance



(Unit: Bil. Won, %)

Showing downward trend in 1Q due to the seasonal effect while maintaining reasonable figures in 2Q & 3Q, and in 4Q, generally improving with upward trends.

Financial Indices



Comments

- Due to the sharp increase of revenues and profits in 4Q '02, the profitability ratios such as Asset Turnover Ratio, ROE and EPS have been improved significantly.
- Continuous decrease of Net D/E ratio due to the reduction of debts with the positive cash flow.
- Maintaining the lowest level of interest expense ratio due to the increased revenues, reduced debts and benefits from the low interest rates.

Balance Sheet

(₩ billion, %)

Account	'99	'00	4Q.'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	166.6	319.4	110.9	89.2	136.3
Trade Receivables ¹⁾	621.1	462.8	695.1	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*	589.8*	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 ²⁾	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
Paid in Capital	255.0	255.0	255.0	255.0	225.0	255.0	255.0
Asset Turnover Ratio	93.4	112.8*	128.2*	88.5	124.6	116.2	154.9
D/E Ratio	242.7	209.6*	183.8*	193.6	167.3	155.9	153.8
Net D/E Ratio ³⁾	95.7	74.0*	37.5*	19.0	36.2	27.4	20.0
ROE	19.0	16.4*	23.7*	14.2	17.7	16.5	18.0

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

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

3) Net Debt = (Borrowings - Cash / Deposits) / Paid in Capital

Profit / Loss Account

Account	'99	'00	'01	'02	
Sales Revenue	Civil	664.2	584.1	540.1	514.4
	Plant	257.4	649.5	631.1	582.9
	Housing	528.1	821.2	1,125.7	1,257.5
	Arch.	640.9	653.1	856.2	819.7
	Total	2,090.6	2,707.9	3,153.1	3,174.5
Gross Profit	279.5	379.5	404.9	472.5	
Operating Income	143.3	225.4	254.8	276.1	
Ordinary Income	140.7	172.4*	224.8*	245.1	
Net Income	99.8	121.1*	159.6*	160.7	
Sales Variation Rate ¹⁾	2.4	29.5	16.4	1.0	
Operating Income Variation Rate ¹⁾	29.7	57.3	13.0	8.4	
Operating Margin	6.9	8.3	8.1	8.7	
Interest Coverage	1.7	4.2	8.5	18.8	
Interest Expense Ratio	4.1	2.0	1.0	0.5	
EPS(₩)	1,957	2,375*	3,129*	3,151	

Note 1) Quarterly Variation Rate is compared with previous quarter

(₩ billion, %, x, ₩)

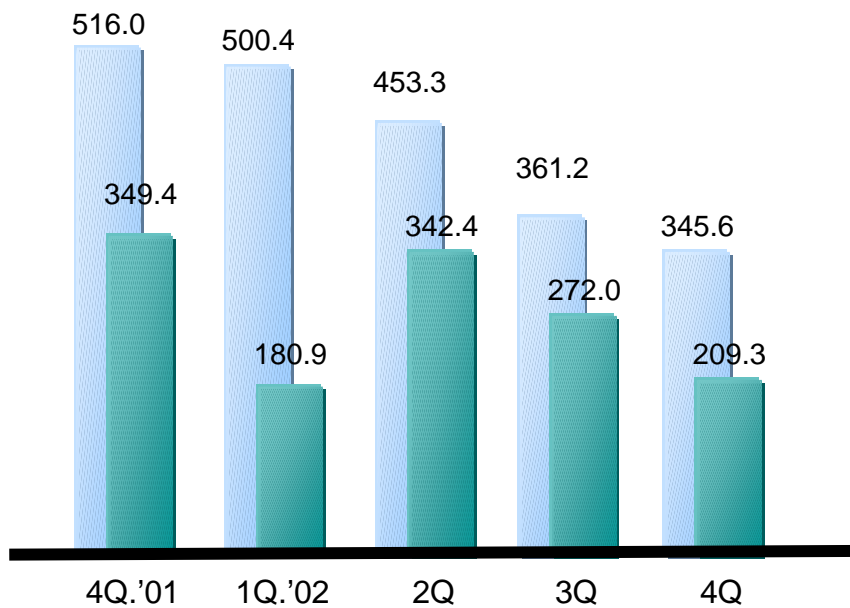
4Q.'01	1Q.'02	2Q	3Q	4Q
166.6	87.6	146.1	105.2	175.5
129.5	114.2	109.9	159.7	199.1
333.1	266.1	360.0	262.4	369.0
205.8	134.1	214.6	208.4	262.6
835.0	602.0	830.6	735.7	1006.8
109.2	72.4	143.4	89.2	167.5
65.7	42.4	91.6	46.3	95.7
70.2*	48.0	62.6	49.6	84.9
52.6*	32.7	42.1	40.1	45.8
8.7	-27.9	38.0	-11.4	36.8
15.9	-35.5	116.0	-49.5	106.7
7.9	7.0	11.0	6.3	9.5
13.1	10.9	28.2	14.5	22.3
0.6	0.6	0.4	0.4	0.4
4,125*	2,565	3,304	3,141	3,595

Net Debt ratio of '02 is down to 20% with the continuous borrowings repayment since the monetary crisis.

Borrowings

(₩ billion)

- Total Borrowings
- Net Borrowings



Borrowings / Cash

(₩ billion, %)

Account	'01	'02	Growth
Short-term Loan	203.6	151.0	(25.8)
Short-term Borrowings	89.0	31.4	(64.7)
Current long-term debt	114.6	119.6	(4.4)
Long-term Loan	312.5	194.6	(37.7)
Long-term Borrowing	15.9	15.9	-
Debentures	296.5	178.7	(39.7)
Total Borrowings	516.0	345.6	(33.0)
Cash / Cash Equivalents	153.2	132.8	(13.3)
Short-term financial instrument	13.4	3.5	(73.9)
Cash / Bank Deposit	166.6	136.3	(18.2)

New Projects

(₩ billion)

Business Division	Name of Project	Contract Amount	Contract Date	Note
Architecture	Additional Work on LCD P4 Plant	82.6	'02. 1	-
	Head office of the export-import bank of Korea	14.5	'02. 2	Remodeling
	Sungmo Hospital Emergency Center	22.3	'02. 6	-
	Headquarter of National Agricultural Cooperative Federation	32.2	'02.12	-
Civil	Kangnam Circular Road	75.3	'02.11	Private SOC
	Siwha Multi-techno. Phase 4	62.1	'02.11	Turnkey
	Road between Yujoo and Yangpyung Phase 3	65.0	'02.12	Turnkey
	Railway between Kyungsangdo and Junlado	57.5	'02.12	Turnkey
Housing	1st Dokok APT Complex	144.9	'02. 1	Reconstruction
	4th Jamsil APT Complex	200.0	'02. 3	Reconstruction
	Joonae APT Complex	2,88.9	'02. 9	-
	Residential-Commercial Complex (Yongsan Eclat)	160.3	'02. 9	-
Plant	Tupras Izmir DHP	81.3	'02. 1	Overseas (Turkey)
	Azzawiya Refinery	345.4	'02. 5	Overseas (Libya)
	Capro Corporation 3rd Factory enlargement	62.5	'02. 6	-
	ARDS OCR Project	169.5	'02.12	Overseas (Kuwait)