

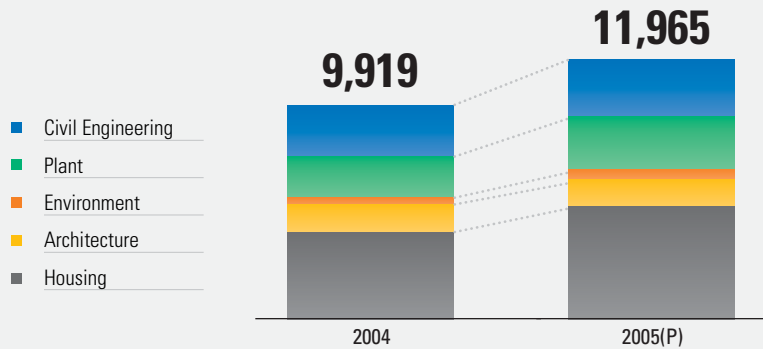


Message from the CEO

In 2005, improved safety management, stronger technology competitiveness and more effective procurement controls will help make GS E&C “a company that adheres to fundamentals and is resolved to win”

Order Backlog by Division

(Unit : billions of Won)



Greetings, Investors

Our company left the LG Group in 2004 and our corporate name was changed from LG Engineering & Construction to GS Engineering & Construction (GS E&C). The move was part of a new Group policy aimed at raising competitiveness by improving operational efficiency and corporate specialization by separating the service-related units from those involved in manufacturing. GS E&C, a core member of the new GS Group, will focus management resources and improve operational transparency to achieve a new, more developed stature that will be even more attractive in investors.

Business conditions were tough at home and overseas during 2004, yet we continued to advance toward our goal of being at the top of Korea's construction industry by 2010. Under the watchword "Challenge and Change for Growth," we managed to carry out four major goals for the year: improve marketing capabilities, raise customer satisfaction through customer relationship management, build a platform for knowledge management, and instill safety awareness in everyone's mind. Our concerted effort achieved tangible results and elevated the competencies of our entire organization. It was also a year in which we asserted our leadership.

Our effort will continue in the coming year as well. We will increase our orders for public projects and keep striving to achieve the highest share the Korean housing market. We will make GS E&C a top-tier company by maintaining firm resolve and sticking to fundamentals. At the same time, we will work on developing our competencies further while maximizing corporate value and steadily raising shareholder value.

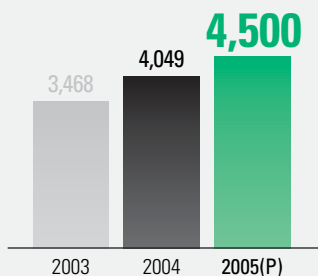
Now, I will touch on our performance in 2004, plans for 2005 and key tasks for accomplishing those plans.

2004 Results & 2005 Goals

To begin with, new orders in 2004 totaled ₩6.08 trillion, up 20.3% from the ₩5.06 trillion figure for 2003. We also aim to increase our new orders by 6.9% to ₩6.5 trillion in 2005. We are confident that we can achieve this target despite the adverse construction market because the new orders will be well balanced among all divisions, and we will receive a major increase in orders from our affiliated companies.

Sales Revenue

(Unit : billions of Won)



We will develop a more balanced portfolio for the mid-/long term, increasing the portions for the Civil Engineering and Plant Business Divisions.

We will work hard to increase our market share in the public project and housing segments to achieve our 2005 target. In the plant segment, rising oil prices are expected to drive up order volume from oil producing countries, prompting us to continue diversifying our overseas markets.

At the end of 2004, we had an order backlog worth around ₩10 trillion. If this is combined with the ₩11 trillion in provisional order backlogs for housing projects, we already have enough work to remain fully operational for about five years. With such a healthy project backlog, I am certain we can achieve stable growth.

Next, I will turn to sales. Last year our performance broke the ₩4 trillion mark, reaching ₩4.0491 trillion. However, the Korean construction market is faced with a macroeconomic slowdown, falling housing industry and increased competition over public projects. Thus, growth in volume and profitability are presumed to be difficult to achieve. However, we aim to obtain ₩4.5 trillion in sales despite the sluggish market conditions in 2005.

Since we will proceed with many projects for affiliated companies, sales will be most heavily weighted toward our Architecture Business Division, but we plan to develop a more balanced portfolio for the mid-/long term, increasing the portions for the Civil and Plant Business Divisions.

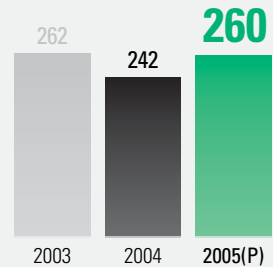
Ordinary profit was ₩242 billion in 2004, somewhat below our original target. The lower figure was due to a higher cost ratio from sharply rising material prices as well as unexpected one-time losses from the disposal of LG Investment Securities shares and from the recognition of impairment loss on LG Card CPs. In 2005, we will reflect the higher material prices and worsened market environment in our planning and expect ordinary profit to be ₩260 billion.

Major Tasks for 2005

We must change the ways we think and do things if we are to overcome the adverse business environment and achieve our 2005 performance targets. Therefore, I am calling on our people to "firm up their resolve and stick to fundamentals." We will focus on the following three tasks to attain our goals:

Ordinary Profit

(Unit : billions of Won)



In 2005, we expect ordinary income to total ₩260 billion, as we reflect higher material prices and the adverse business climate in our planning.

First, we will upgrade our safety management. Everyone in the construction industry understands the importance of safety. Last year we focused our attention on building a system that would ensure no major accidents occur on construction sites. Our effort will continue this year. We will introduce and implement policies deemed to be helpful to the safety management program from the organizational perspective.

Second, we will improve our technology competitiveness. Like electronics, communications and other industries, distinctive technological expertise to satisfy changing customer needs is rapidly becoming the key to success in the construction business. I consider 2005 the first year in which we embark on an ongoing technology innovation program. We will invest heavily into R&D to build our reputation as a technology-intensive company.

Third, we will improve the effectiveness of our procurement management. At the end of last year, GS E&C formed a task force to establish a scientific and standardized material management approach by linking the material and process management systems. We are now experimenting with the Korean construction industry's first Just-In-Time system. If successful, the unobstructed communication between the Head Office and the construction sites will lead to highly efficient decision making and support. The procurement people, too, will be better able to predict material supply amounts and timing, shortening lead time and reducing financial costs.

We must set ourselves apart from the competition by displaying unique technological capabilities and synergy to enhance our ability to attract new orders as well as raise our profit margin. This will be an important asset for us to achieve profitable growth over the long term.

In conclusion, we will focus intently on safety, technology and procurement innovations in 2005 to make the changes that will take our company to the next level. As in 2004, we will also carry out various IR activities, including overseas roadshows, to gather your feedback and reflect it in our policies.

I thank you for your trust and for investing in us.

Kab-Ryul Kim, President & CEO