

TO OUR SHAREHOLDERS AND INVESTORS

All of our employees have worked as a team to elevate LG Engineering & Construction Corporation qualitatively and quantitatively in the year since my appointment as President in March 2002. Our collective efforts have achieved excellent results, setting the stage for a new round of growth in 2003. I would like to share those results with you here.

2002 Initiatives

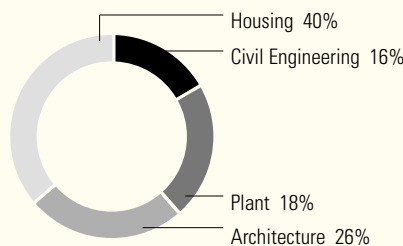
Since becoming President, I have focused on our increasing new orders from the public sector to improve portfolio balance. To this end, we have taken the steps necessary to expand our participation in turnkey and privately funded infrastructure (PFI) projects-areas with high added value. The Housing Division, our largest unit, launched the new "Xi" apartment brand, and an aggressive PR and advertising campaign have been conducted to raise brand awareness and preference.

We strengthened the organization through restructuring. The section of the Civil Engineering Division responsible for environment-related projects such as wastewater treatment plants, water purification systems and incinerators was merged with its counterpart in the Plant Division. The marketing function in the Housing Division was reinforced to better cope with an increasingly difficult domestic housing market. Our overseas operations will focus solely on plant projects, an area where we have a strong competitive edge. Finally, we formed a new Human Resources Development Team to bolster our training activities.

Meanwhile, we continued to upgrade our Project Management System (PMS), integrating the construction and engineering functions. Data access was expanded and improved through the installation of an Enterprise Information Portal(EIP), and we now boast the most efficient IT infrastructure in the domestic construction industry. In October, meanwhile, we became the Korean construction industry's first to launch a dedicated IR homepage, separate from the corporate homepage. Access to the latest data is now available via our new IR homepage.

We received ₩3.63 trillion in new orders during 2002, down 2% from the previous year. Our total sales came to ₩3.17 trillion in 2002, up slightly year on year, while ordinary income totaled ₩245.1 billion, a 9% increase over 2001.

SALES BY DIVISION





I believe that our growing a great company will maximize the returns to you, our shareholders and investors. In the coming year, we aim to achieve our best performance ever and move a step closer to our goal of being the top player in the market.

2002 Performance Results

We received ₩3.63 trillion in new orders during 2002, down 2% from the previous year. The order backlog totaled around ₩7.3 trillion at year's end, with an additional ₩4.5 trillion in housing projects for which we have been named the contractor but still await government approval. Our total sales came to ₩3.17 trillion in 2002, up slightly year on year, while ordinary income totaled ₩245.1 billion, a 9% increase over 2001.

Total sales in 2002 break down as 16% for the Civil Engineering Division, 18% for the Plant Division, 26% for the Architecture Division and 40% for the Housing Division. Although the Housing Division had a little bit of large share of total sales, increased turnkey government orders for the Civil Engineering Division improved our overall business structure. Indeed, we now enjoy one of the most balanced portfolios in the Korean construction industry.

Our 2002 performance was outstanding when compared with that of our domestic competitors. We ranked fourth in Korea in orders received and total sales, but our profitability indicators continued to be the best in the industry. As for financial soundness, our net debt-to-equity ratio stood at 20% at the end of 2002, and we expect to lower this figure further in 2003.

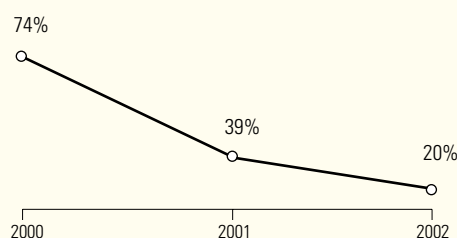
2003 Plans & Strategies

Our target for new orders in 2003 is ₩5 trillion, aggressively going after new contracts to improve our year-on-year performance. Our focus will be on turnkey projects for environmental protection facilities, buildings and civil works in the public sector. We are reconstructing many old apartment complexes, but we are also expanding our involvement in redeveloping private home sites into new apartment complexes.

We have set our 2003 sales target at ₩3.4 trillion. The Housing Division will contribute some 39% of total sales in 2003, but we will continue to improve the balance of our overall business portfolio. Our goal by 2010 is to reduce the Housing Division's share of the sales mix from 40% to 30%, while raising the Civil Engineering Division's share from 16% to 23% and the Plant Division's share from 18% to 23%.

We are confident our ordinary income will be even higher in 2003 as we continue to strengthen internal monitoring functions. Pre-project feasibility studies will be tightened further to minimize losses, and ordinary income from

NET D/E RATIO



overseas projects will be more carefully managed. If necessary, we will dispose of bad debts, inventories and fixed assets quickly to elevate return on invested capital, thereby raising our EVA.

In addition, IR activities for you, our shareholders and investors, will be stepped up in 2003 to help boost our shareholder value. My CFO and I will join a road show that is scheduled to make stops in North America, Europe and Asia in 2003.

In early 2003, we are going to announce a new vision and mid-/long-term strategy for making LG E&C the best in the business. Now, we are moving forward in a clear direction to achieve this goal.

Our vision is to be the most reliable partner by maximizing value through creative solutions. Our performance targets for 2010 are ₩12 trillion in new orders and ₩9 trillion in sales, holding the top share of the Korean market and earning 5% of ordinary margin overseas.

In 2003, the first year of this ambitious new undertaking, we will take on the following key tasks:

Every effort will be made to increase the orders received from the Korean government. We will aggressively pursue redevelopment projects in northern Seoul and promote our "Xi" brand apartments.

We will also move into new fields such as nuclear power plant and harbor construction, while our risk management policy and approach will be tightened further. At the same time, we will continue to secure core personnel, enhance our platform for core technology, upgrade our IT infrastructure and raise our overall competitiveness.

Our HR management capabilities will continue to improve on the one hand, while greater investment will be made in leadership, ethics and foreign language training. At the same time, our personnel evaluation system will include team-based performance incentives and competency at the organizational unit level will be measured.

The domestic and overseas business environment was difficult in 2002, yet we managed to keep growing. The many tasks initiated in 2002 will be continued in the coming year as we strive to break our own performance record and move closer to our stated long-term goal.

The company must grow steadily to ensure maximum returns for shareholders and investors. I can assure you we are committed to this task and want to thank you for your support. I look forward to meeting with many of you in the coming year.

Kab-Ryul Kim ___ President & CEO

