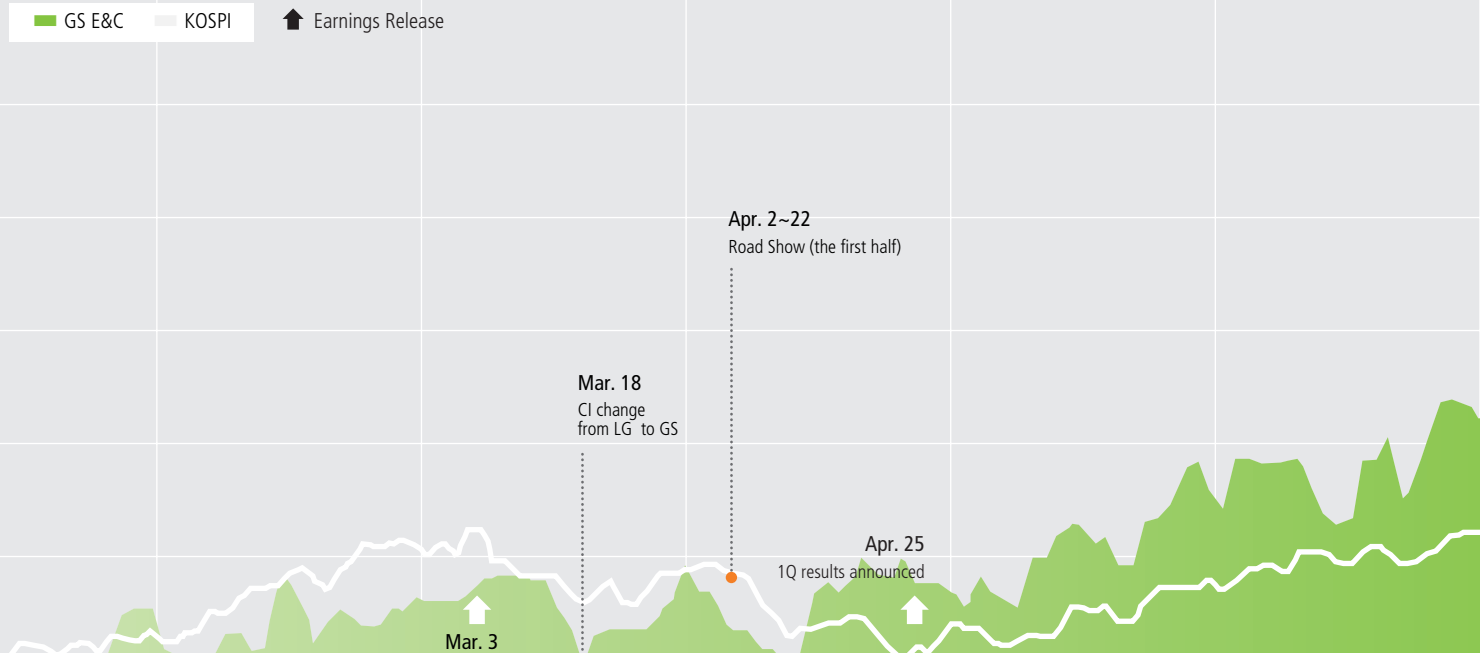


## Share Data

GS E&C share closed at ₩53,000 at year's end, up 86.0% from the beginning of 2005



### Stock Market

The Korean stock market grew 59% in terms of market capitalization from ₩413 trillion at the end of 2004 to ₩655 trillion a year later. The average daily trading volume was ₩3.2 trillion in 2005, about ₩1 trillion higher than during the previous year. Also the KOSPI finished the year at 1,379 points, 54% higher than at the end of 2004.

Bearish foreign investor sentiment and rising interest rates were offset by a bullish run by domestic institutions led by Savings-type installment funds. Equity-type fund trust which was more than tripled from ₩8.6 trillion in 2004 to ₩26.2 trillion in 2005 (refer to Asset Management Association of Korea) was a key factor in the steadily rising share prices. This means that Koreans were actively buying domestic stocks in a market that has long been hampered by the so-called "Korea discount."

Meanwhile, the sales volume of Savings-type installment funds rose from ₩6.6 trillion in March to ₩13.8 trillion by October. (Refer to Asset Management Association of Korea) This increase allowed a steady inflow of capital and helped lead to a positive trend for the share price index.

Moreover, the following table shows that the Korean stock market still has plenty of room for greater valuation gains:

The securities, fiber, machinery, pharmaceutical and construction industries all saw market capitalization gains of over 100%, leading the overall market rally.

Positive factors for 2006 include recovery in private sector consumption, higher economic growth rate, some better macroeconomic vari-

#### PER Comparison of National Stock Markets (in multiples)

	Hong Kong	Japan	US	Singapore	Taiwan	Netherlands	UK	Korea
PER	22.8	22.5	17.4	17.2	15.2	14.4	14.3	10.6

(Source : UBS)

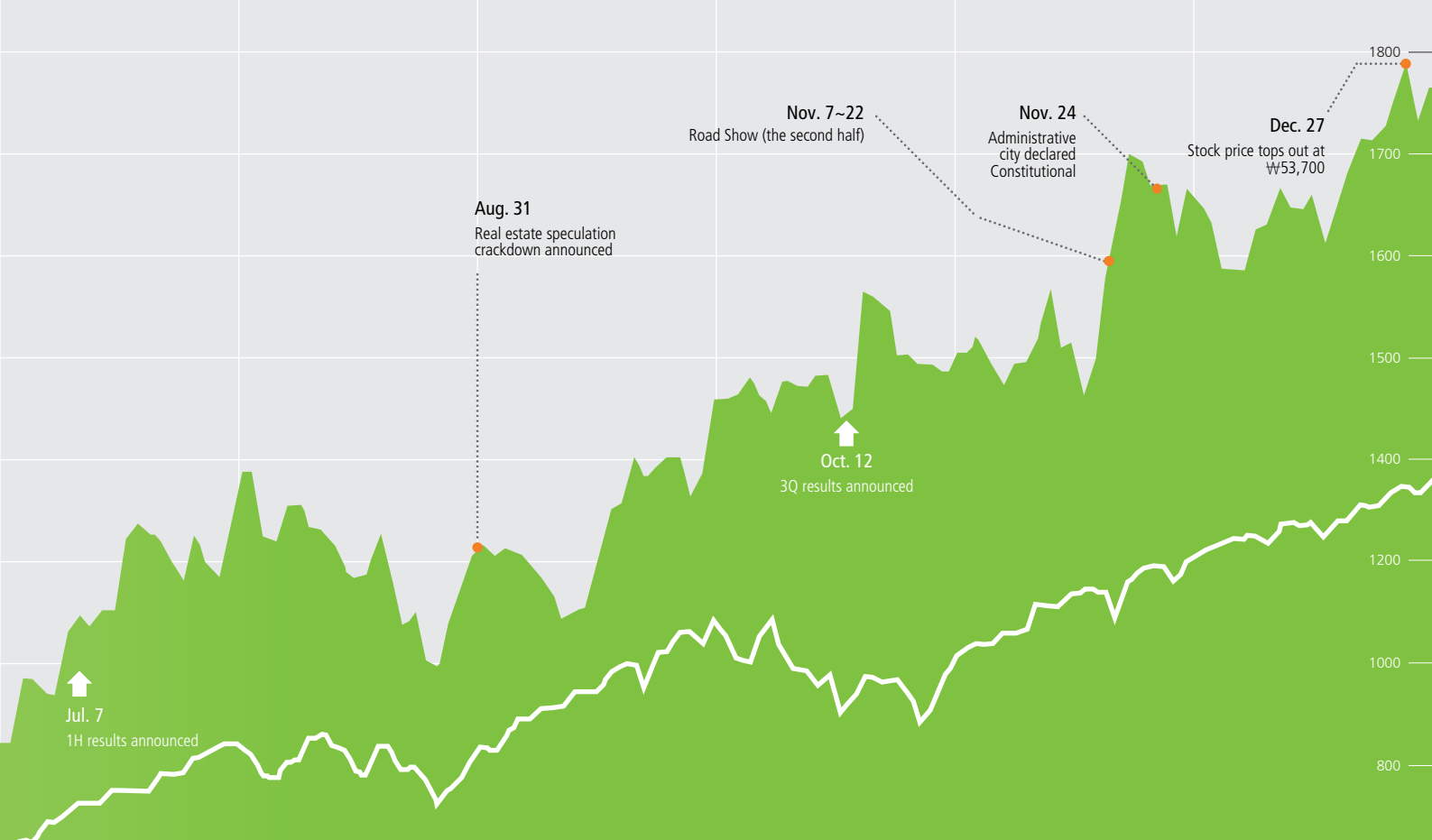
ables and improved corporate performance. Conversely, liquidity may contract. Therefore, the forecast for the stock price index is between 1,100 and 1,600 points.

### Construction Market

Rapid advances of small and medium-sized builders made the construction industry the fastest gaining sector in the entire stock market. The share price index for construction companies was up 116% year on year in terms of market capitalization, which was far above the average growth rate for the market. Therefore, the construction industry's portion of the Korean stock market rose from 2.8% at the end of 2004 to 3.9% a year later.

Meanwhile, prices for reconstructed apartments in southern Seoul (Gangnam) began to soar early in the year, driving up prices in neighboring areas (Pangyo, Bundang, Yongin, etc.) as well. The government responded by announcing measures to curb real estate speculation on August 31, causing the prices to come down somewhat. However, passage of detailed laws was delayed, and the real estate prices began to creep back up by the end of the year. The annual rise in apartment prices averaged over 10%.

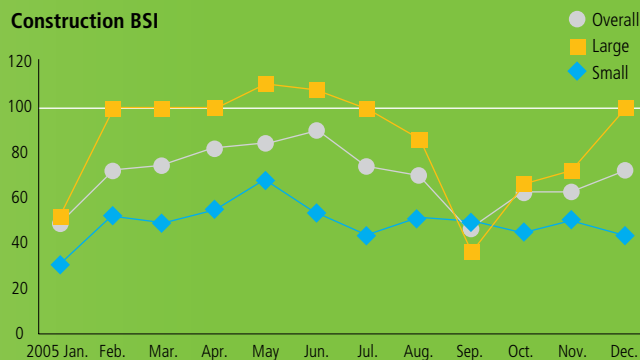
In 2006, the real estate market will be negatively affected by the government's expanded targets for a comprehensive real estate tax and new assessment standards. The government will also put forward a plan for establishing a new administrative center away from Seoul, and the Constitutional Court ruled on the measure. Meanwhile, real estate development will proceed in "company towns" and "new towns" in the Seoul area, while yet-to-be-built apartments in the Pangyo District will go on sale. These various conflicting factors make it difficult to quickly determine the real estate



market direction.

The Construction Business Survey Index (CBSI) rose steadily from the 4th quarter, reading 76.1 by the end of December (the Construction & Economy Research Institute of Korea), but this is far below the index base value of 100. Moreover, the gap between large construction companies and smaller ones as well as among regions continue to widen. Large construction companies marked 100 on the survey, while medium-sized companies stood at 79.4 and small companies were a mere 44.4. Companies in the Seoul area registered 87.4, but their counterparts in the provinces marked 38.8.

**Construction BSI**



(Source : Construction & Economy Research Institute of Korea)

The spread between companies in Seoul area and in the provinces 28.0 percentage points wider than the gap in 2004. In other words the degree of optimism over the prospects for the construction market depends on company's size and location.

**GS Engineering & Construction**

The price for GS E&C shares closed at ₩28,500 at the end of 2004 and ended 2005 at ₩53,000, an increase of 86%. This was about 32% higher than the KOSPI's rise of 54% for the same period. As a result, the company's market capitalization broke into new territory for the first time, rising from ₩1.45 trillion at the end of 2004 to just over ₩2.7 trillion at the end of 2005.

This remarkable rise in the face of adverse economic conditions can be attributed to the hard work of employees, who have made GS E&C a "market-friendly" enterprise. In 2006, the company will maintain balance between quantitative growth and profitability to lead Korea's construction industry. Various IR activities will also be provided to allow investors to get a fair valuation.

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**Valuation**

FY	Sales (billion of won)	Growth (%)	Operating Income (billion of won)	Net Income (billion of won)	EPS (won)	ROE (%)	PER (times)
Dec. 2003	3,468	9.2	271	162	3,245	14.7	5.5
Dec. 2004	4,049	16.8	229	156	3,134	12.7	9.1
Dec. 2005	5,631	39.1	336	265	5,317	19.3	10.0