

Message from the CEO

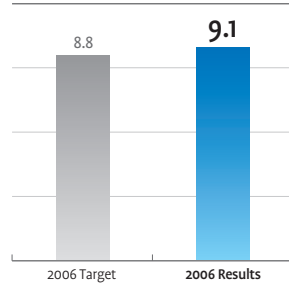


In 2006, GS E&C took a great stride forward to become a global top constructor based on systematic management, global-scale business capacity and human resource training. We expect to see these efforts and potential come to fruition in 2007.

2006 Targets vs Results

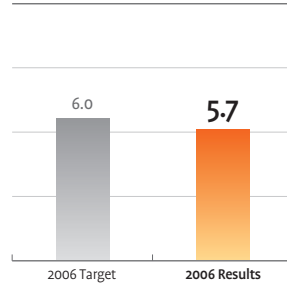
New Orders

| Unit : Trillions of Won |



Sales Revenue

| Unit : Trillions of Won |



To Our Customers and Shareholders

We experienced an eventful and difficult year in 2006. The global economy was hit by high oil prices, and competition was intense among both companies and countries. The North Korean nuclear standoff and South Korea's unstable real estate market also affected our business adversely.

Despite the uncertainties, GS E&C employees pulled together to achieve our "value growth through cost innovation" directive for the year. Indeed, our effort was so successful that we managed to break annual performance records.

We pursued residential redevelopment projects aggressively and increased the number of overseas plant projects, driving up the new order volume 10.8% year on year to just under ₩9.1 trillion. Sales revenue also rose two percent to ₩5.7 trillion. Our company-wide cost-cutting effort achieved tangible results, improving operating income by twenty percent to ₩403 billion.

These results were made possible by our employees' concerted effort and by the support of our customers and shareholders. We will now build on the solid foundation for growth that has been achieved to expand further and emerge as a major global player with an eye to the future.

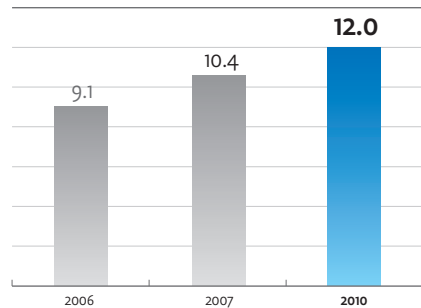
In the coming year, global economic growth is expected to be lackluster and the Won currency is likely to appreciate still more against the Dollar. This means that the growth in Korean exports will slow and long-awaited rebound in domestic consumption will be delayed further. The unstable real estate market will contribute to economic contraction as well. I believe that political issues, including the upcoming Presidential election, will also have a negative effect on the economy.

Message from the CEO

Performance & Vision

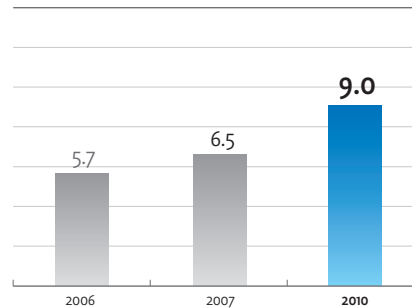
New Orders

(Unit : Trillions of Won)



Sales Revenue

(Unit : Trillions of Won)



Major Tasks for 2007

We will adeptly cope with the rapidly changing competitive environment. Our revenue structure will be further enhanced through an ongoing innovation drive designed to elevate us to the top of the global ranks. We will build on this momentum to containing raising our value by developing new growth drivers.

“Value growth through cost innovation” will remain our operational watchword in 2007, and our attention will be focused on the following tasks :

First is the Total Project Management System (TPMS). We established the most advanced supply chain management apparatus in the domestic construction industry last year. In 2007, we will lay the foundation for system-based management by requiring all construction sites in the country to be linked to TPMS. Projects can be managed more scientifically with on-site TPMS access, which together with our cost innovation program will provide us with unique core competencies.

Second, we will continue to strengthen our capabilities to perform outside Korea, continuing our advance toward global prominence. The globalization of the construction industry is integrating national markets, while domestic growth prospects have stalled as project conditions become more difficult and profit margins face downward pressure. We will break through the impasse by seeking out new markets and securing stable revenue sources. I believe that these steps are preconditions for sustainable growth, so we will broaden our portfolio by making further inroads into overseas markets as quickly as possible.

We will begin this process by diversifying the types of plants that we build overseas. We are now working to secure projects in Vietnam and will utilize our competencies in the housing, civil engineering, development and environmental facilities sectors to secure development projects overseas.

An internal reorganization in early 2007 resulted in a new system for implementing global projects. We are now devising action plans and strategies for entering national markets with promising growth potential. We also plan to bolster our strategic alliances with leading foreign construction firms.

Third, we are going to establish a new system for human resources development. GS E&C has engaged in many activities aimed at building the core values of people, technologies and systems.

Investment has been ongoing in every area-sales, construction work, customer management and support, and we have already made tangible progress in the technology sector. Our R&D program has been stepped up; we completed a new technology center at Yong-in, Korea, and we have entered into new technology-sharing arrangements with major overseas players.

Moreover, I am convinced that these activities will only generate powerful synergies if we have the most qualified people. Therefore, we inaugurated the Construction Academy last year, integrating all our training programs and providing a new HRD framework.

Our efforts to date will be stepped up in 2007 to establish a comprehensive human resources development program. The Construction Academy will be developed further, while our position profile system will be expanded and upgraded to ensure that the right people are assigned to the right places. Thus our overall HR system will continue to advance. At the same time, we will continue to recruit core personnel for overseas marketing, development projects and project estimates. Our language training courses and overseas training programs will also be expanded as part of the effort to cultivate global personnel.

Last but not least, we will steadfastly adhere to our shareholder-first policy. I know that our greatest strength for propelling us onto the global stage is derived from the continued trust and support from you, the shareholders.

Our steady profitability, transparent management and shareholder-friendly policy raise value for the company and shareholders alike. We will also offer you various IR programs to help pave the way to a new future.

Over the years, GS E&C has overcome many hardships and reached the top of Korea's construction sector. However, these achievements are merely a starting point for us. We will not be complacently satisfied with small successes but will stay at the forefront of the industry to shape a better future. I believe that construction is the both the foundation and the root of all other industries. We will solidify our position as a Korean leader and set our sights on new goals and challenges to become one of the world's very best builders.

In the coming year, our people will keep moving forward with a pioneering spirit, undaunted by changes and setbacks. I ask for your continued support in our endeavor to rise in the global ranks.

Kab-Ryul Kim President & CEO

