

Message from the CEO



GS E&C will proactively address the uncertain business environment inside and outside Korea, and create opportunities for quality growth on the basis of fiscal soundness in 2009.

To Our Customers and Shareholders

GS Engineering & Construction performed well in 2008 despite the difficult business environment in the wake of the global financial crisis. New orders topped ₩12.23 trillion; sales were more than ₩6.86 trillion, and operating profit reached ₩478.3 billion. Thus solid growth was achieved in terms of both business volume and profitability, and the foundation for value-driven growth was strengthened.

Engineering News Record ranked us 33rd among the Top 225 Global Contractors (based on sales) in 2008. This was the third straight year that we led all Korean builders on the list. Thus we have continued to advance as a truly global general contractor, thanks in large part to your continued support.

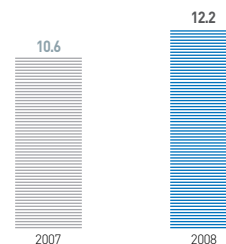
However, the construction market is expected to be more difficult than ever in 2009. The global economic downturn will persist; competition over domestic government projects will intensify, and the Korean housing market will remain sluggish.

Considering the circumstances, we have set our 2009 performance goals at ₩10.2 trillion in new orders, ₩6.9 trillion in sales and ₩506 billion in operating profit. Our all-encompassing management directive for the year will be “adhere to the fundamentals and focus management on substantial growth.” We will proactively address the uncertain business environment inside and outside Korea, and create opportunities for quality growth on the basis of fiscal soundness. To this end, we have decided on the following management priorities:

2007 vs. 2008

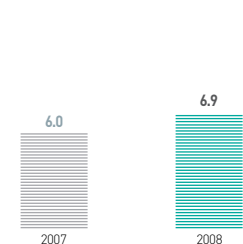
New Orders

[Unit : Trillions of Won]



Sales Revenue

[Unit : Trillions of Won]



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First, we will upgrade our operational control systems.

We will take two major actions to aggressively respond to the liquidity risk that we now face. First we will put the top priority on cash flow in our decision-making process, and second we will make better use of our early warning system within the risk management program. In this way we will be ready to respond to any contingency. Of course, overall control will be improved so that actions taken to manage risk can also be incorporated into everyday operational management.

We will also make fundamental and substantive changes aimed at improving our ability to win new orders and at raising our profitability. Our efforts in this regard will revamp our cost structure as we strive to reorganize for stability as well as growth. We believe this is a fundamental task that must be initiated in order to give back to you, our investors and customers, for your support.

Second, we will continue to acquire global competencies in core areas for the future.

Our plant construction business already enjoys strong competitiveness outside Korea. Now we must secure the technologies and track record regarding essential processes needed to further bolster our position in key markets and develop our standing in new segments such as gas processing plant construction.

In addition, we are preparing for major involvement in power and environmental plant projects, which are key segments for future growth. We recently established the Power & Environment Business Division, which integrates these two disciplines, and will build an organizational structure for greater internal self-sufficiency. At the same time, the entire company will cooperate with and support the new division. Meanwhile, we are forming strategic alliances with leading technology firms and working hard internally to expedite our acquisition of all the necessary global competencies. We will diversify our customer base in the Middle East as well as in Asia and other new markets so that a broader range of business opportunities becomes available for us.

Importantly, we are advancing in step with the “green growth” paradigm being promoted by the Korean government. Our investments are aggressive in the research and development of innovative and sophisticated technologies that raise the quality of life by reducing energy consumption and by accelerating our transition to a “green society.”

Third, we will reassert our stature and strengthen our marketing effectiveness.

The Korean government is expected to increase its spending greatly to stimulate the economy amid the global downturn in 2009. Our winning a significant volume of the new government projects will be very important for generating much needed cash flow and establishing a stable business portfolio. Of course, new technology will also be secured in the execution of these contracts that can serve as the platform for future growth. Therefore, we will focus on increasing our receipt of Korean government contracts through reorganization and the reinforcement of our marketing structure.

Overseas, meanwhile, we will mainly focus our search on general contract projects with firm financial backing while we strengthen our risk management activities. The current marketing network will also be used vigorously to advance into the new growth segments that we want to cultivate over the mid-/long term.

I can assure you, our shareholders and investors, that we are committed to maximizing the returns on your investments. We want to give more back to you for your loyalty to us, and our people stand united in their effort to maximize shareholder and corporate value. We will engage in diverse activities aimed at opening a new chapter in our "shareholder first" management policy.

President & CEO

Myung-Soo Huh

