

Share prices have plummeted on exaggerated worries over the effects of the global financial crisis on the construction industry. However, GS E&C share prices are recovering as the Korean government addresses the problem proactively and the company continues to reduce risk factors.



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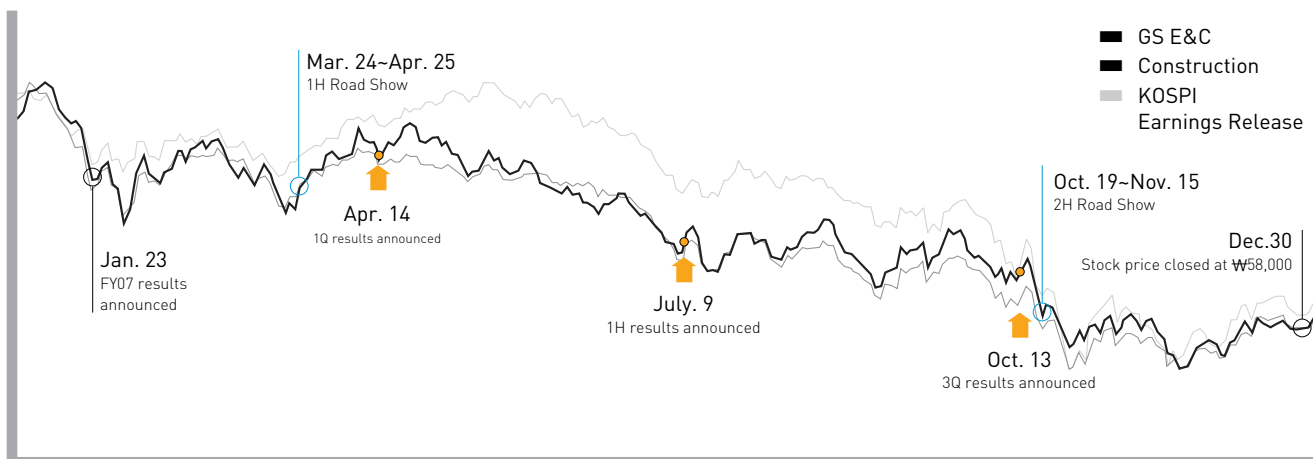
The Stock Market

Many are now saying that 2008 will be remembered as the worst year for the world's stock markets since the Great Depression. The Dow Jones Industrial Average fell by 36 percent during 2008, while the Korea Stock Price Index (KOSPI) dropped 39 percent for the same period.

The average price of stocks in many industries slid more than 40 percent. The decline in share prices was relatively light in communications, electric power & gas, pharmaceuticals, food & beverages, and other so-called "defensive sectors," as well as in electronics and other industries that benefitted from a weak Won currency. On the other hand, the stocks of companies engaged in construction, securities, nonmetals, transportation equipment and finance were hit especially hard.

Construction Stocks

As mentioned above, construction stocks were much more adversely affected by the economic downturn than shares in the "defensive sectors" were. The average price of Korean construction shares plunged 58.8 percent during 2008, which was 18.1 percentage points below the KOSPI average. The poor showing was in sharp contrast to the previous four years, when construction shares outperformed the market average. The 2008 decline can be attributed to several fundamental factors, including an excessive rise over the previous four years, a liquidity shortage at Korean builders starting from the second quarter, the possibility of default for some project financing loan guarantee and lower performances by some builders. At the same time, foreign investors unloaded many Korean stocks generally.





GS Engineering & Construction

The price for GS E&C shares closed at ₩58,000 on December 31, 2008, which was 63 percent lower than the ₩156,000 figure a year earlier. The steep drop stemmed from unstable construction and real estate markets amid the global financial crisis and concern over difficult business conditions for the foreseeable future.

On the other hand, the market has sound reasons to trust and have confidence in the company's performance and future vision. The company only has to reduce the backlog of unsold apartment units and settle the payment guarantees for project financing. Outstanding borrowings are lower at GS E&C than at other major Korean builders, while the rising sales and profits from overseas projects in 2008 are expected to persist in 2009. Thus, GS E&C should post some of the highest profit margins in the industry as the market returns to normal.

Investor Relations

In 1996, GS E&C management realized that their contact with investors was insufficient. Therefore, they decided to organize a three-person IR Team, marking the beginning of official IR activities.

Investors are also kept informed about the company in various ways. For example, senior executives join the overseas road shows that are organized twice a year and attend various international conferences to provide investors with the latest performance data and to interact with them. A dedicated IR homepage is also maintained online in real time, and IR representatives visit institutional investors as part of efforts to maximize shareholder value.

Major IR Activities in 2008

An overseas road show was organized during each half, and top company officials took part in six conferences sponsored by domestic and overseas securities companies. Senior executives

briefed institutional investors and stock market analysts on the latest performance figures twice during 2008. At these events they spoke candidly with the audience and explained the results of the road shows. A total of 490 one-on-one meetings took place between GS E&C officials and institutional investors. Sometimes the investor representatives visited GS E&C, while at other times GS E&C representatives visited the institutional investors. Analysts were also invited to visit construction sites in the Middle East and Asia, giving them a better sense of business at hand.

In addition, conference calls were arranged as needed for foreign institutional investors too far away to visit in person. The conference calls, initiated by GS E&C for the first in the Korean construction in 2008, were used to update the institutional investors on performance results each quarter.

On October 1, 2002, GS E&C became the first builder in Korea to open a website (www.gsconstir.co.kr) dedicated to investor relations, which is in addition to the content on the corporate homepage (www.gsconst.co.kr). The company continued to use online IR activities vigorously in 2008. In the past, investors would invariably lose their confidence in the stocks of leading construction companies whenever an economic crisis occurred. Construction stocks would become conspicuously undervalued as a result. Despite that tendency, GS E&C has remained solid by continuously registering some of the industry's best performances. The company's robust IR activities have also helped to dispel the concern and doubt over the industry as a whole.

As a result, GS E&C won the top honor for the second straight year at the annual Korea IR awards, organized by the Korea Investor Relations Association. GS E&C will continue the effort to increase shareholder value in the future, communicating openly with the market and maintaining the distinction of having the best IR program in the Korean construction industry.