

SHARE DATA

OVERVIEW
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THE STOCK MARKET

The global financial crisis that started in 2008 caused global stock markets to plunge. Governments around the world managed to stop the precipitous descent implementing various economic stimulus packages, and many Korean companies performed better than expected in 2009. As a result, foreign investors rushed to buy Korean stocks. These factors combined to drive the Korea Stock Price Index (KOSPI), the country's benchmark index, which closed the year 49.7 percent higher than it had been at the end of 2008.

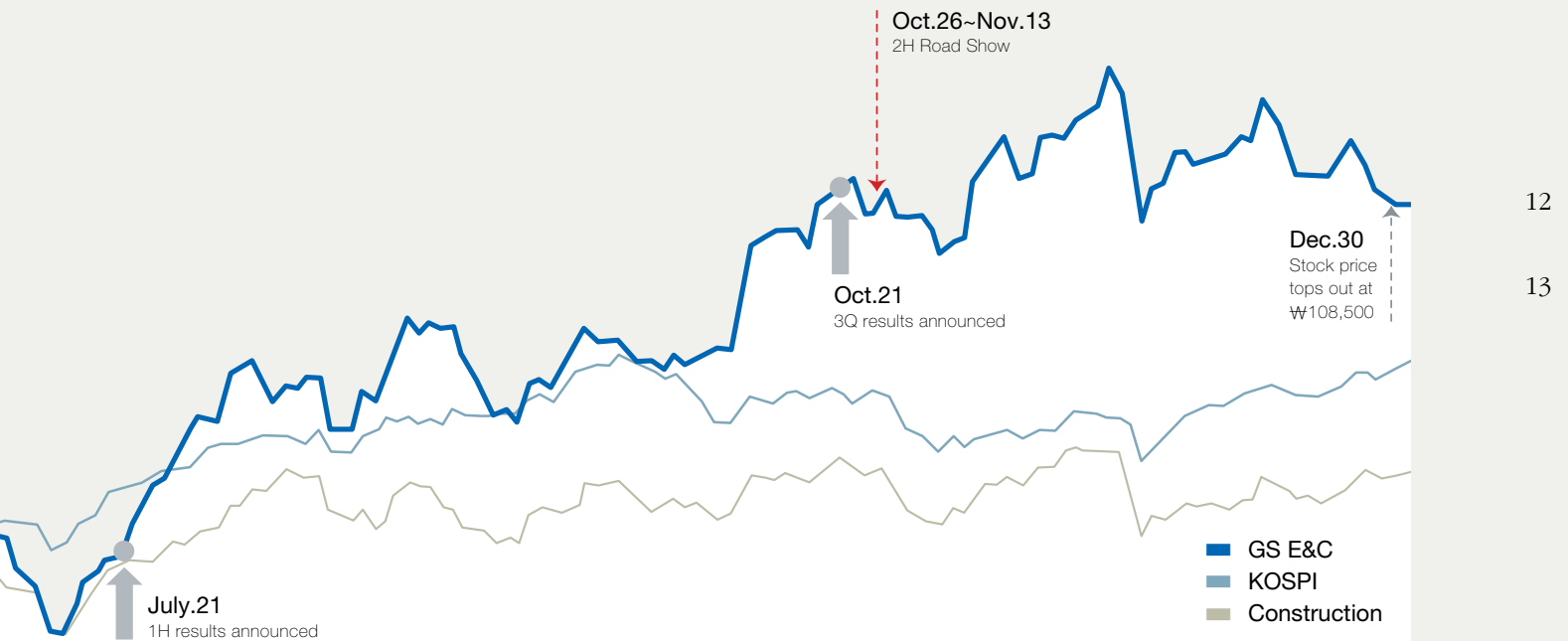
Considering developments in 2009 and the lingering uncertainties, many market watchers expect the 2010 stock market to be extremely volatile, peaking high and bottoming out low for the year. Some positive factors are also expected to come into play in the first half of 2010: (1) a global economic recovery, (2) liquidity-driven rally thanks to ongoing low interest rates and a weak Dollar, and (3) under-valued stocks. By contrast, possible negatives may appear in the second half. These include (1) a weak recovery, (2) increased volatility of price variables, (3) drops in corporate profits and earnings revision ratios, and (4) declining PER.

In conclusion, the rally that started in late 2008 is likely to

continue through the first half of 2010 at least. However, in the second half, various factors such as the sustainability of a private sector recovery, uncertainties of the Korean government's policy direction and increased volatility in price variables will determine the overall performance of the Korean stock market for the year. The effects of the current rally should be able to withstand a market correction, because a "double dip" recession is unlikely in Korea and systemic risk in the Korean financial market is low.

CONSTRUCTION STOCKS

The prices of construction stocks rose faster than the KOSPI average between March and May 2009, thanks to low interest rates and mitigated credit risks. However, the gains in share prices for construction companies during the year ended up being lower than the KOSPI average because of concerns over slowing growth and falling profitability for Korean construction companies. One of the main reasons for this skepticism involves the drop in the presale of yet-to-be-built residences. This drop, which began in 2008, was expected to erode sales in the highly profitable housing segment. Another cause for concern was the falling profitability of overseas construction projects, which had been very lucrative but were facing inten-



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sified competition amid a decrease in new order volume.

Observers say construction industry shares as a whole will need time to recover, as Korean builders must make up for losses in the housing sector and improve their earnings. However, prospects for the large construction companies are positive, because they can gain earnings momentum from overseas projects, and their losses in the housing sector will be mostly recouped by the end of 2010.

GS ENGINEERING & CONSTRUCTION

The price for GS E&C shares closed at ₩108,500 on December 30, 2009, which was 87 percent higher than the ₩58,000 figure a year earlier. In addition to the price increase itself, the rate of growth is higher than that for any other Korea construction company and outperforming the KOSPI average. The foreign ratio of shareholding, which was 33 percent at the beginning of 2009, was just over 50 percent at year's end.

The reasons for the share price increase are as follows: Domestically, the company's worries over the housing segment, which had been its main risk factor, subsided. Construction costs were expected to soar during the second half of 2009 and throughout 2010, as many large

apartment complex projects come to completion. However, the presales volume turned around, significantly lowering the backlog of unsold apartment units, easing concerns over construction costs.

Overseas, meanwhile, reaching the 2009 sales target appeared doubtful because Kuwait National Petroleum Co. cancelled a massive order and overseas orders were weak in the first half of 2009. However, GS E&C was awarded a US\$3.11 billion order for an RFCC unit at the Ruwais Refinery in the UAE. This is the main program for the refinery's expansion project and represents the largest overseas project ever for a Korean builder.

In addition, the company received the US\$1.2 billion GASCO 4th NGL Recovery Train project in the UAE and two subway construction contracts in Singapore, helping to boost new orders to US\$6 billion for the year. As a result, GS E&C improved its global stature, and its share price soared.

The solid domestic performance and strong advance overseas boosted the stock price 87 percent from the beginning of 2009 to year's end. The price of GS E&C shares has many reasons to continue rising in the coming year, as the company will pursue "value-oriented growth" supported by fiscal soundness.