

# GS E&C Investor Presentation

1H 2009

Best Partner &  
First Company

GS Engineering & Construction



## CONTENTS

### I \_ Business Overview

#### 01\_ Company Overall Overseas

#### 02\_ Overview by Division

- Plant
- Housing
- Civil Engineering
- Architecture
- Power & Environment

### Appendix

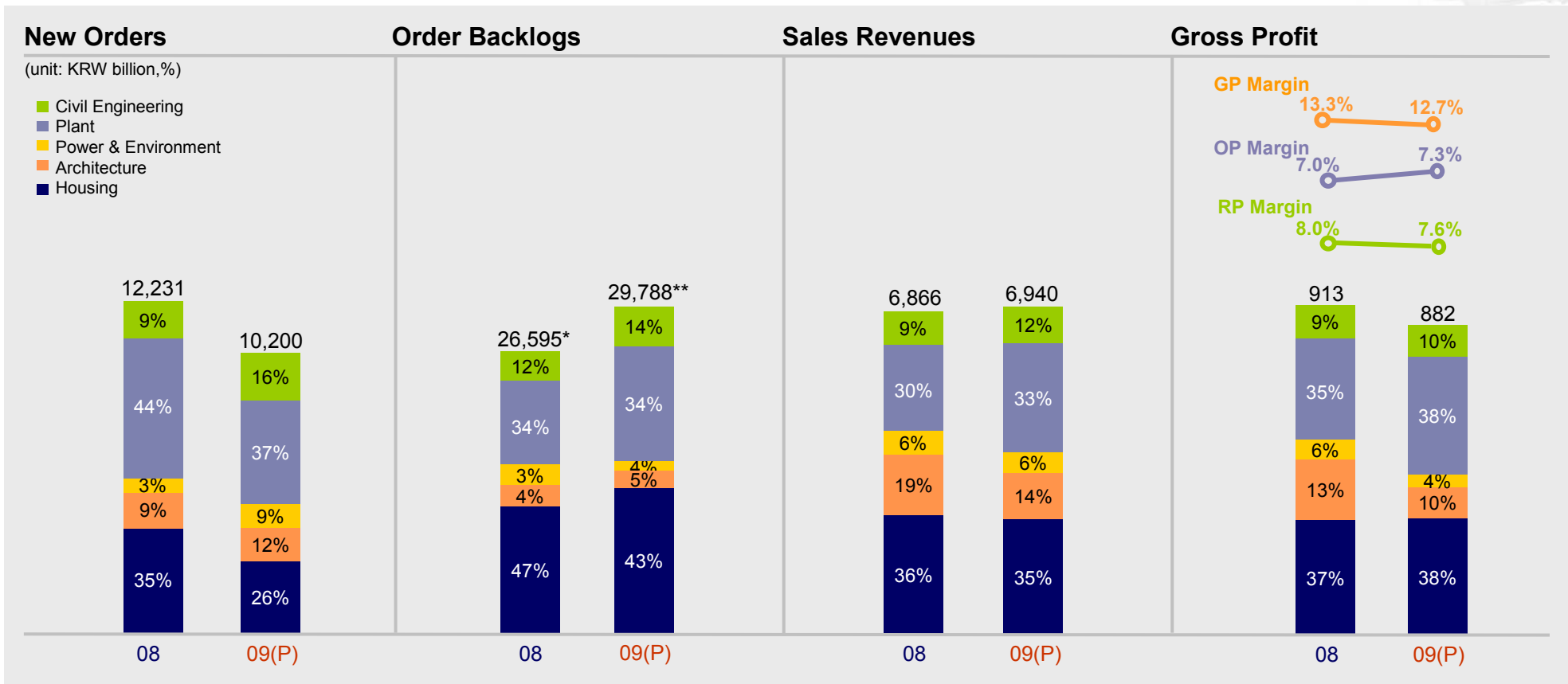


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# Business Overview - Company Overall

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New orders will go down, but sales revenue will continuously go up.



\*Not included Provisional Order Backlogs in Housing 15.7 KRW trillion

\*\*Not included Provisional Order Backlogs in Housing 14.6 KRW trillion

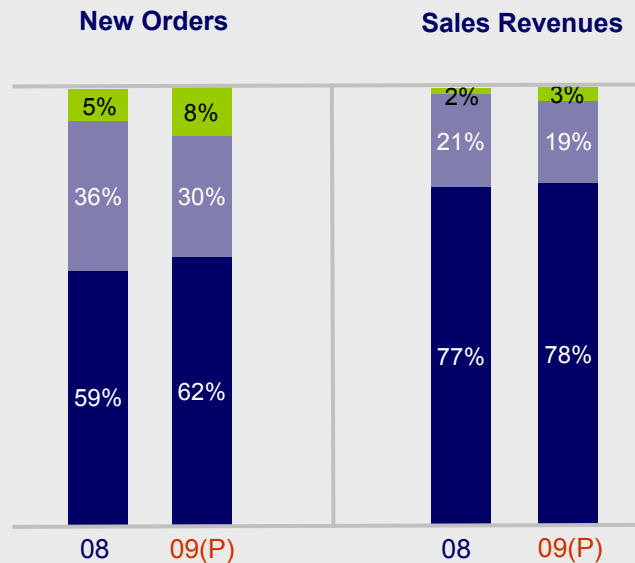
# Business Overview - Overseas

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Overseas new orders contribution will decrease due to decline in plant business, but new orders from power & environment and civil engineering business will increase.

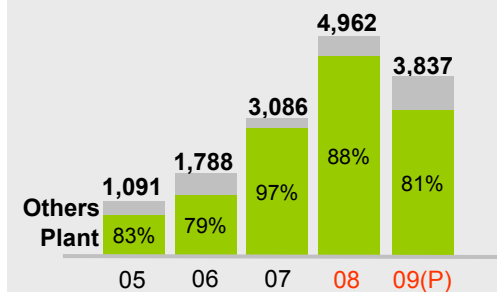
## Total Overseas

Other Overseas  
Plant Overseas  
Domestic

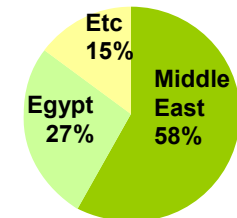


## Overseas New Orders

(unit: KRW billion, %)

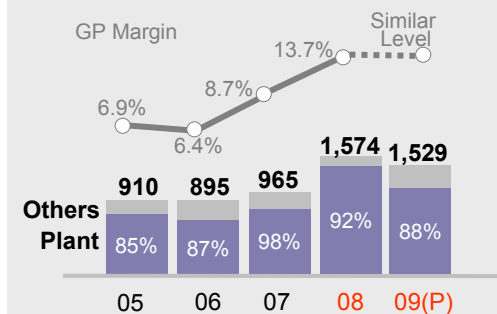


### Order Backlogs by Region (KRW 8,981 bn)

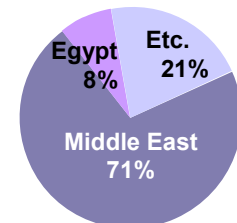


## Overseas Sales Revenues

(unit: KRW billion, %)



### Sales by Region (KRW 1,574 bn)



# Business Overview - Overview by Division [Plant]

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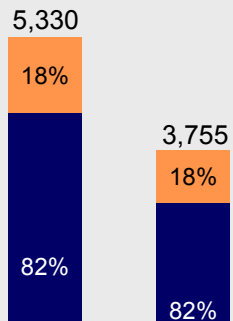
New orders will substantially decline due to weak demand of oil consumption, but sales revenue will continuously go up.

(unit: KRW billion,%)

## New Orders & Backlogs

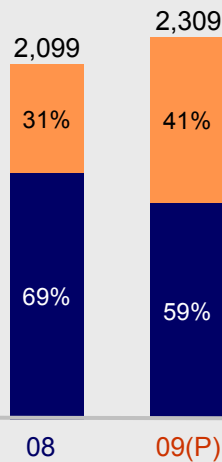
Domestic  
Overseas

8,958  
10,174  
Backlogs



## Revenues & GP Margin

15.3  
14.6  
Gross Margin



## 2009 Keyword

### Market

- Oil-price drop  
→ Decreased investment & delayed bidding
- Excess refinery & petrochem supply (HOU still in demand)
- Increase in new gas projects due to increase in demand of environment-friendly fuel (LNG)

### GS E&C Strategy

- Diversifying marketing countries (Latin America, Africa, etc.)
- Diversifying portfolio (Gas, LNG business)
- Successful execution of mega size ongoing project



# Business Overview - Overview by Division [Housing I]

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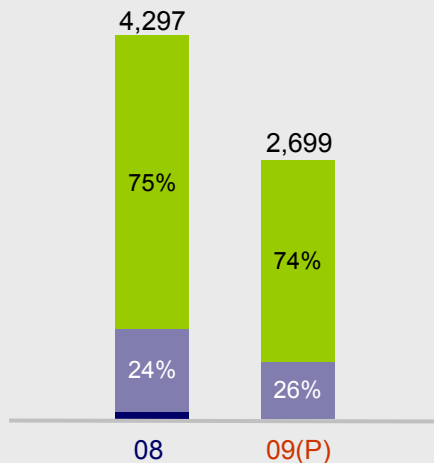
New orders will decrease due to housing market instability. On the other hand, sales revenue will continuously increase. However, profitability will slightly go down due to increased marketing cost.

(unit: KRW billion,%)

## New Orders & Backlogs

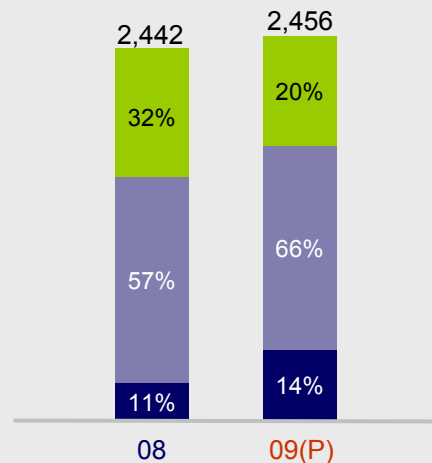
■ Reconstruction & Redevelopment  
■ General Contract  
■ In-House

12,606\* 12,962\*\*  
Backlogs



## Revenues & GP Margin

13.8 13.6  
Gross Margin



## 2009 Keyword

### Market

- Easing government property measure (Taxation, regulation)
- Low mortgage interest (4%~4.5%)
- Decrease in new supply
- Weaken demand / low transaction lower apartment price / sluggish economy

### GS E&C Strategy

- Try to digest unsold-unit : 7,969 → 6,000
- Lower PF loan guarantee 4.9tn → 3.2tn
- Minimize new supply : 2,833 (Public 254)
- Focusing on redevelopment & reconstruction and in-house business

(See next page for detailed information)

\*Not included Provisional Order Backlogs in Housing 15.7 KRW trillion

\*\*Not included Provisional Order Backlogs in Housing 14.6 KRW trillion

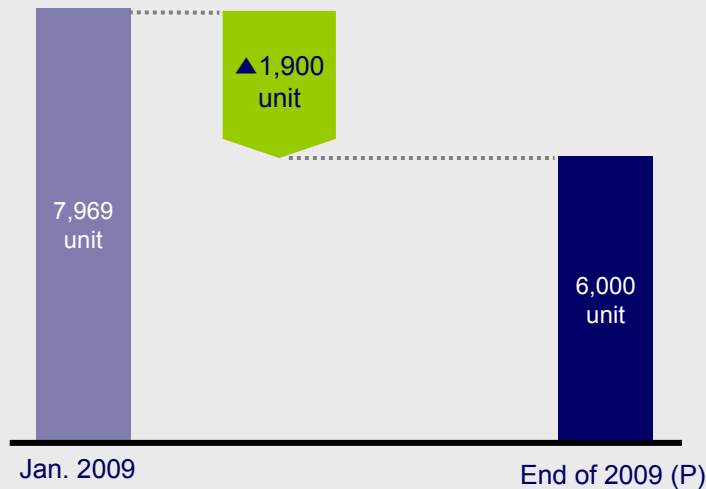
## Business Overview - Overview by Division [Housing II]

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GS E&C will try to digest unsold units and contingent liabilities through various promotion plan and the sale of its sites, while we keep the construction right.

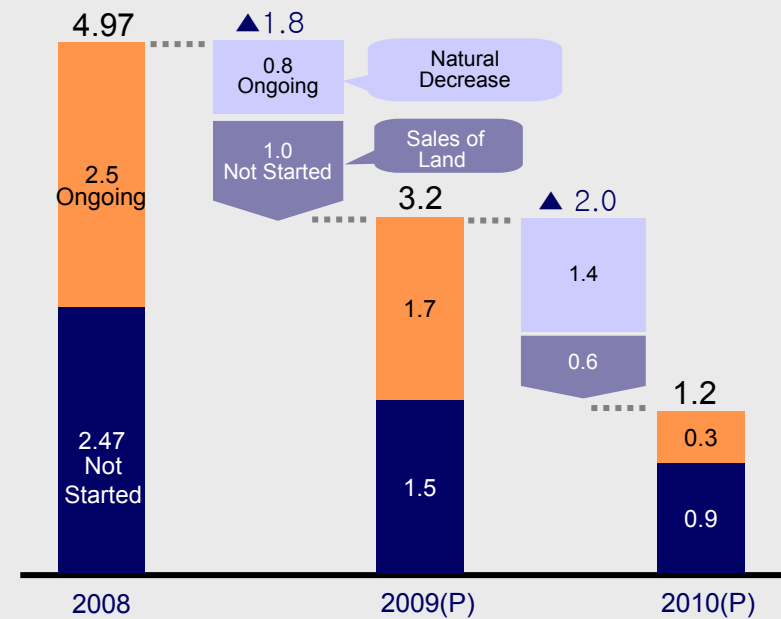
### Unsold Unit Reduction Plan

- 1) Special Promotion Program
  - Adjusted Payment Schedule
  - Smaller Initial Payment, Free Option (kitchen)
- 2) Internal Promotion
  - Relative Company Promotion (GS, LG, LS)
- 3) Government Support Program
- 4) Overseas Promotion



### PF Guarantee Reduction Plan

(unit: KRW trillion, %)



# Business Overview - Overview by Division [Civil Engineering]

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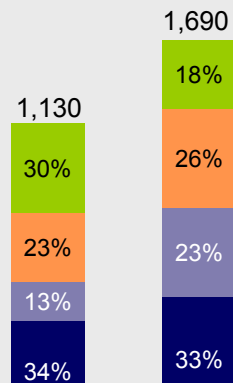
New orders will be highly increased due to public projects. However, completion of high profit projects will cause sales revenue and gross profit decrease.

(unit: KRW billion, %)

## New Orders & Backlogs

- PFI(Privately Funded Infrastructure)
- General Contract
- Turnkey
- Overseas

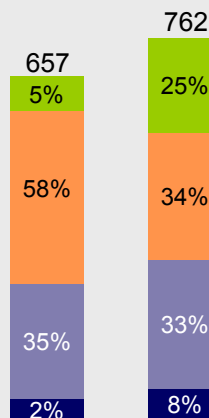
3,027 4,036  
Backlogs



08 09(P)

## Revenues & GP Margin

13.2 11.3  
Gross Margin



08 09(P)

## 2009 Keyword

### Market

- Increase in budget for public infrastructure (CGAR 7.3% by 2012 / 2009: 21.1tn)
- “Green Business”  
: Water-related Project :Four river improvement  
: Light railway, etc.
- Overseas government increase budget for public infrastructure to boost economy

### GS E&C Strategy

- Domestic
  - Aggressively participate in public project
  - Improve cash flow with higher advance payment
- Overseas
  - Enter Singapore, Vietnam and other Asian countries
  - Participate in government project with financially strong local EPC partner



# Business Overview - Overview by Division [Architecture]

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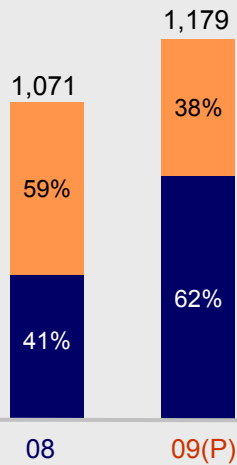
New orders will increase due to non-group work, but sales revenues will decrease.

(unit: KRW billion, %)

## New Orders & Backlogs

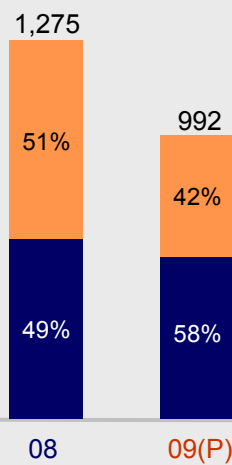
Group  
Non-group

1,133 1,339  
Backlogs



## Revenues & GP Margin

9.3 8.6  
Gross Margin



## 2009 Keyword

### Market

- Decreased number of project due to global economy slowdown
- Increase in overseas public order (School, hospital, electric generation, etc.)
- Slowdown in capex of group company

### GS E&C Strategy

- Enthusiastically enter domestic & overseas public market
- Diversifying business area (electric generation)

# Business Overview - Overview by Division [Power & Environment]

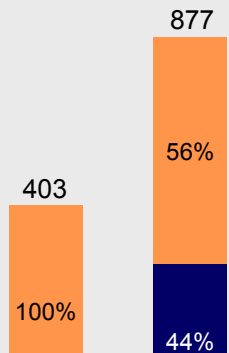
Best Partner & First Company  
GS Engineering & Construction

Overseas new orders will increase substantially. However, profitability will go down.

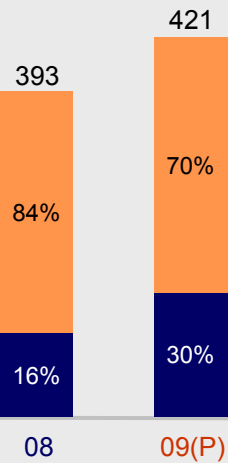
(unit: KRW billion, %)

## New Orders & Backlogs

Domestic  
Overseas



## Revenues & GP Margin



## 2009 Keyword

### Market

- Power
  - Increase in public projects
  - Continuous order from overseas market
- Water Business
  - Demand for desalination plant increase

### GS E&C Strategy

- Diversifying marketing countries
  - : East Asia , Middle east, Africa
- Co-work with developed business partner
- Improve overseas EPC skill



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## Appendix

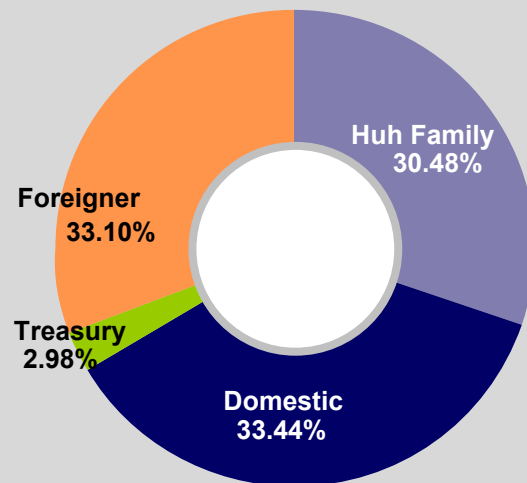
- 01\_Ownership Structure
- 02\_Borrowings & Investment Plan
- 03\_Dividends
- 04\_PFI Projects
- 05\_Provisional Order Backlogs in Housing Div.
- 06\_Major Material Prices
- 07\_Balance Sheet (Summary)
- 08\_Income Statement (Summary)

## Appendix - Ownership Structure

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### GS E&C

(End of 2008)



### Huh Family

(As of 2008)

46%  
**GS Holdings**

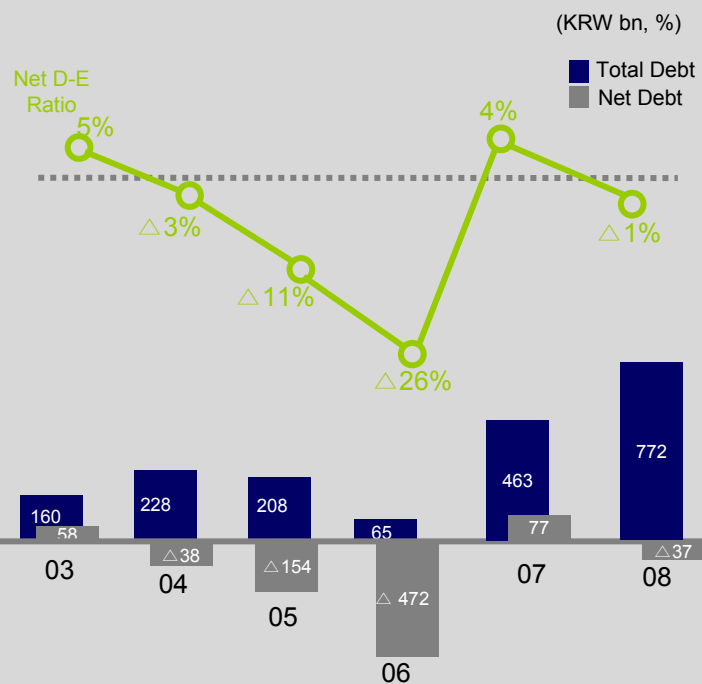
#### Subsidiary



## Appendix - Borrowing & Investment Plan

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### Borrowings



### Investment Plan

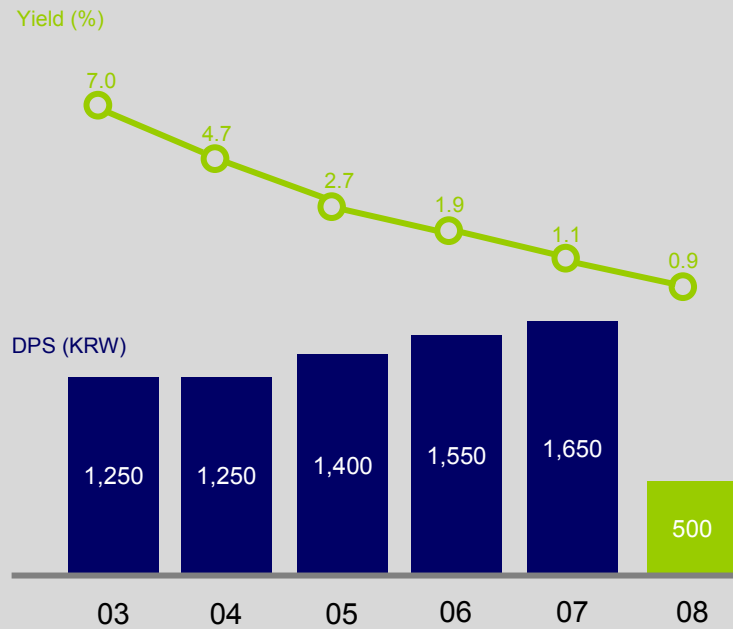
(KRW bn)

Description	07	08	09 (P)
Land & Facility	248	57	-
Development (Domestic & Overseas)	261	118	57
PFI	9	9	45
Ordinary Resort & etc.	17	14	55
<b>Total</b>	<b>535</b>	<b>198</b>	<b>157</b>

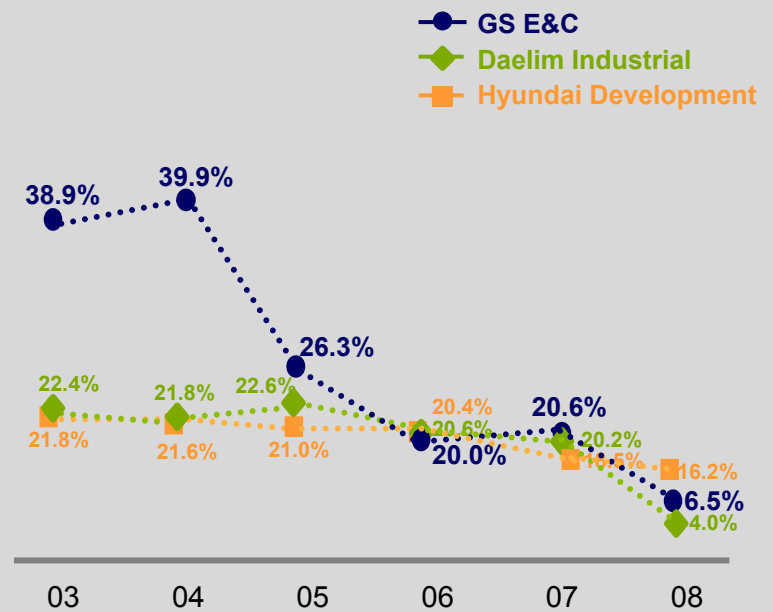
## Appendix - Dividends

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### Yield & DPS



### Payout Ratio





## Appendix - PFI Projects

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(End of 2008)

(KRW bn)

Status	Name of Project	Contract Amount	GS Contract Portion	Invested Amount	GS Share	Remarks
Preferred Bidder	Osan-Okchang Highway					
	New Bundang Extension Railway					
	Choeup Light Rail Transit					
	Incheon International Pier					
Approved	Seoul-Munsan Highway	668	304 (45.5%)	9.7	4.5%	To be completed in 2014
	Sangju-Youngchun Highway	1,286	129 (10%)	3.3	1.0%	To be completed in 2013
	Seoul-Pocheon Highway	964	136 (14%)	4.4	1.4%	To be completed in 2014
	Youngdong Highway #2	758	121 (16%)	4	1.6%	To be completed in 2013
Under Construction	Uijeongbu Light Rail Transit	279	155 (56%)	27.3	29.9%	To be completed in 2011
	Kyongsang-Cheonla Rail Way BTL	331	76 (23%)	1.5	2.3%	To be completed in 2012
	Kangnam Beltway	798	92 (11.5%)	28.2	11.5%	To be completed in 2013
Investment Completed	New Airport Highway	3,820	191 (5%)	21.7	5%	22.8 (KTCU, Dec. 2003)-sold
	Cheonan-Nonsan Highway	1,344	336 (25%)	112.5	25%	113.1 (KRIF, Feb. 2004)-sold
	Daegu East Beltway	120	30 (25%)	8.7	12%	9.1(MEDIC, May. 2003)-sold
	Daegu West-North Road	64	16 (25%)	3.3	15%	3.7(Municipality of Daegu, June.2004)-sold
	Cholmasan Tunnel	75	18 (25%)	1.0	24%	1.0 (KTCU, Nov. 2001)-sold
	Manwolsan Tunnel	68	17 (25%)	5.0	15%	Completed (July,2005) / Holding / Plan to sell in 09
	Seoul Beltway	1,612	435 (27%)	124.2	27%	Completed (Dec.,2007) / Holding / Plan to sell in 09

KTCU : Korea Teachers' Credit Union

KRIF : Korea Road Infrastructure Fund

MEDIC : Macquarie East Daegu Investment Company

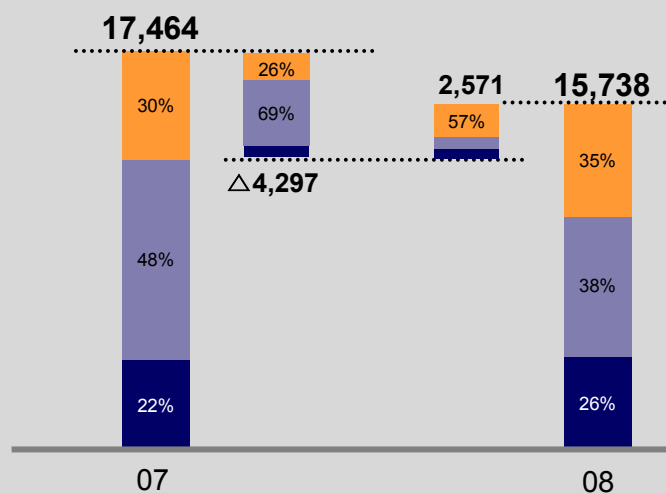
## Appendix - Provisional Order Backlogs in Housing Div.

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### Provisional Order Backlogs

■ General Contract/In-house  
■ Redevelopment  
■ Reconstruction

(Unit: KRW bn, %)



### By Project Type

(Unit: KRW bn)

Division	07	New Orders (08)	New Provisional (08)	08
General/In-house	5,166	$\Delta 1,082$	1,461	5,545
Redevelopment	8,413	$\Delta 2,966$	610	6,057
Reconstruction	3,885	$\Delta 249$	500	4,136
<b>Total</b>	<b>17,464</b>	<b><math>\Delta 4,297</math></b>	<b>2,571</b>	<b>15,738</b>

### New Provisional Orders

(Unit: KRW bn)

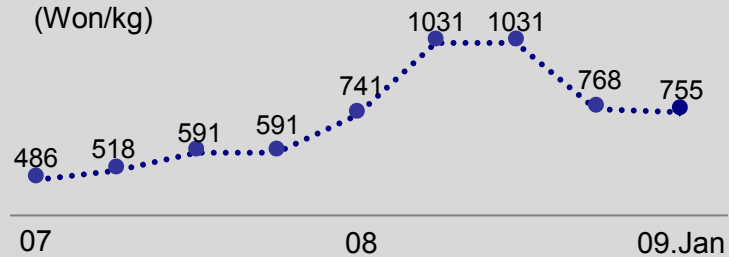
Division	Projects	Amount
General Contract	Yangju Backseo	1,016
	Dongback Silvertown	213
Reconstruction	Dowha Woosung	190

## Appendix - Major Material Prices

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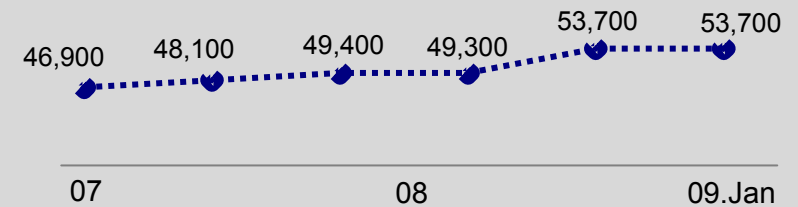
### Re-bar\*

(Won/kg)



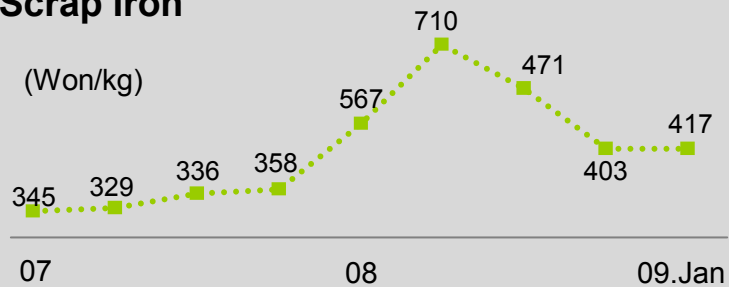
### Remicon\*\*

(Won/cubic meter)



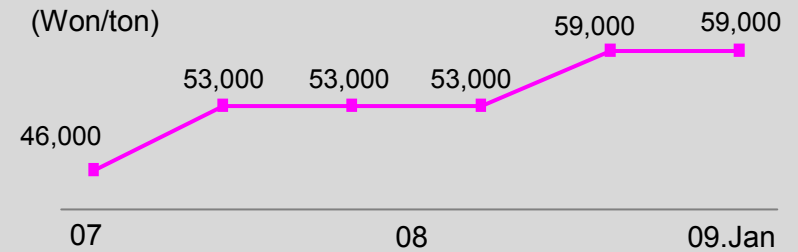
### Scrap Iron

(Won/kg)



### Cement

(Won/ton)



\*Re-bar: Reinforced-bar

\*\*Remicon: Ready-mixed concrete

## Appendix - Balance Sheet [Summary]

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(KRW billion,%)

Account	04	05	06	07	08
<b>Total Asset</b>	<b>3,303</b>	<b>3,826</b>	<b>4,751</b>	<b>5,738</b>	<b>8,182</b>
Cash & Deposits	266	361	537	386	809
Trade Receivables	1,095	1,412	1,738	2,120	2,242
Inventories	159	197	195	424	457
Investment & etc	679	494	691	874	1,839
Tangible Assets	844	905	1,038	1,089	1,412
<b>Total Liabilities</b>	<b>2,006</b>	<b>2,375</b>	<b>2,967</b>	<b>3,593</b>	<b>5,147</b>
Trade Payables	794	890	1,260	1,357	1,483
Borrowing	228	208	65	463	772
<b>Total Shareholders' Equity</b>	<b>1,297</b>	<b>1,451</b>	<b>1,784</b>	<b>2,145</b>	<b>3,035</b>
Capital Stock	255	255	255	255	255
D/E Ratio	154.7	163.7	166.3	167.5	169.6

## Appendix - Income Statement [Summary]

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(KRW billion, %)

Account		04	05	06	07	08
Sales Revenue	Civil Engineering	574	730	714	796	657
	Plant	499	1,037	1,455	1,988	2,099
	Power & Environment	276	312	257	214	393
	Architecture	1,615	2,203	1,598	1,056	1,275
	Housing	1,085	1,349	1,721	1,957	2,442
<b>Total</b>		<b>4,049</b>	<b>5,631</b>	<b>5,745</b>	<b>6,011</b>	<b>6,866</b>
Gross Profit		492	680	762	859	913
Selling and Administrative Expenses		263	344	359	417	435
Operating Profit		229	336	403	442	478
Ordinary Profit		242	367	544	567	549
<b>Net Profit</b>		<b>156</b>	<b>265</b>	<b>387</b>	<b>399</b>	<b>382</b>



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