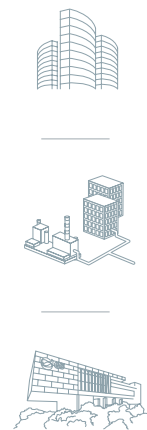




BEST PARTNER & FIRST COMPANY

ANNUAL REPORT 2010



GS E&C Corporation

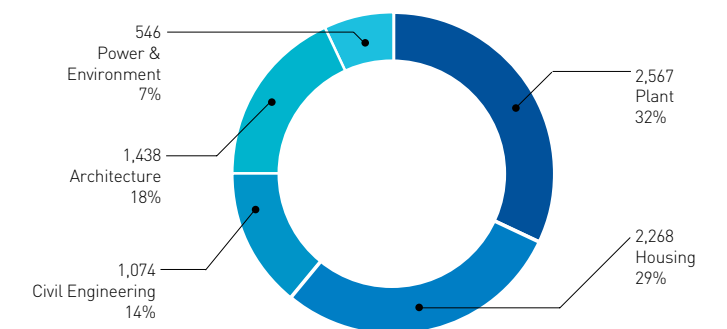
Key Financial Data

I Unit : Billions of Won I

	2010	2009	2008
Sales Revenue	7,893	7,377	6,866
Gross Profit	1,011	955	913
Operating Profit	521	568	478
Ordinary Profit	525	508	549
Net Profit	407	383	382
Earning Per Share (₩)	8,231	7,737	7,689
Dividend Per Share (₩)	1,000	1,000	500

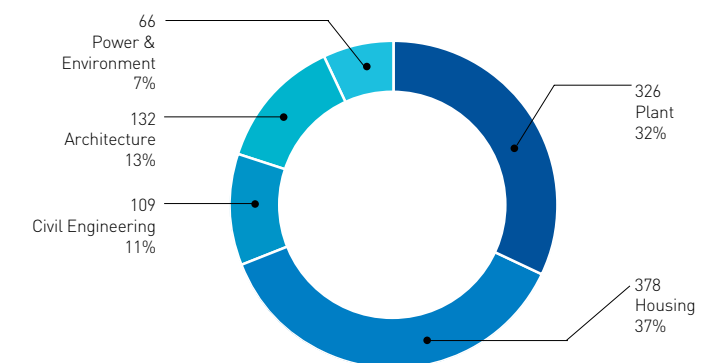
Sales Revenue by Division

I Unit : Billions of Won I



Gross Profit by Division

I Unit : Billions of Won I



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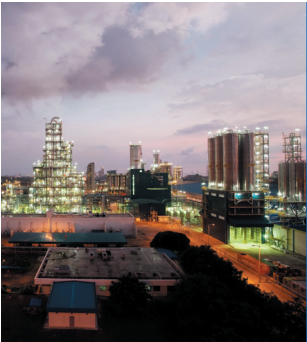
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Segments

The GS E&C organization is divided into six Business Divisions (Plant, Housing, Civil Engineering, Architecture, Power & Environment, and Technology). These units provide a well-balanced business portfolio, allowing the company to grow continuously all over the world.

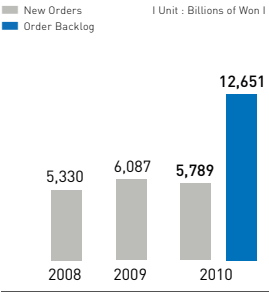


PLANT

The Division has established a solid portfolio by advancing into oil refineries, gas processing plants and petrochemical plants for clients mainly in the Middle East, Southeast Asia and Korea. Profitability is a key factor in bidding on new projects, while gas sector projects are being cultivated as new growth engines that will bolster the competitiveness of the plant construction business. Better global sourcing, risk management systems and human resources development are paving the way for the Division to join the ranks of the world's leading players.

- Oil Refineries • Gas Processing Plants • Petrochemical Plants

New Orders

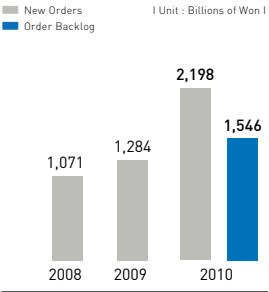


ARCHITECTURE

Current projects are underway in Korea as well as in China and UAE. The Division boasts the superior technology and human resources to undertake a wide range of projects (education and training facilities, sporting facilities, high-rise buildings, high-tech factory buildings) anywhere in the world at any time.

- Office Buildings • Education Facilities • Research Centers
- Hospitals • Culture • Leisure • Sports • Clean Rooms
- Manufacturing Plants • Logistics • Remodeling

New Orders

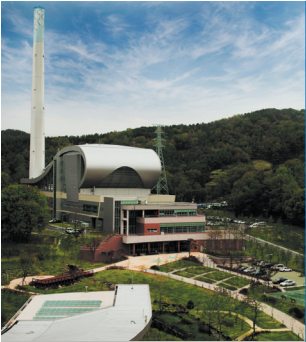
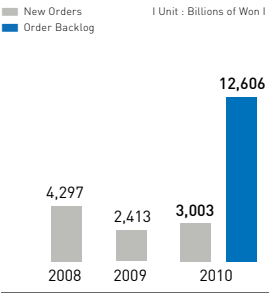


HOUSING

The Division is maximizing competitiveness in apartment reconstruction, redevelopment and apartment projects for other developers. Profitability is being increased by diversifying into private home construction, residential land development and overseas projects. In addition, the remarkable features of GS E&C-built apartments and Koreans' quest for more elegant lifestyles have firmly established "Xi" as a power brand, while allowing GS E&C to be the best and set technology trends for the construction industry.

- Residential Complexes • Apartments • Mixed-use Buildings

New Orders

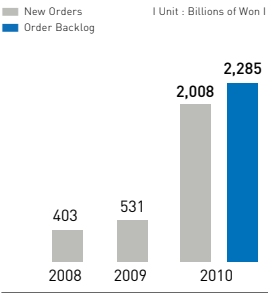


POWER & ENVIRONMENT

The Power & Environment Business Division is developing new growth engines and creating new value for GS E&C going forward. Project execution capabilities continue to be honed and business areas developed so that GS E&C can stand shoulder to shoulder with the top-tier contractors for power and environment plants.

- Power & Energy • Water & Sewage, Wastewater Treatment
- Waste Treatment & Recycling

New Orders

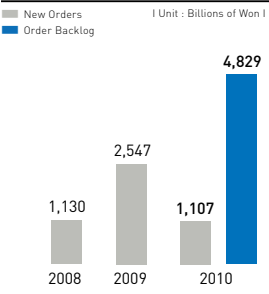


CIVIL ENGINEERING

The Division builds roads, railroads, port facilities, industrial complexes and underground storage facilities. The focus is on profitability and cash flow stability by expanding involvement in public contracts to keep pace with the economic stimulus packages now in effect by governments around the world. Overseas contracts with government guarantees in Vietnam, Singapore, India and Middle East are helping to diversify business areas and secure new growth engines.

- Roads • Tunnels & Bridges • Railroads • Ports & Dredging
- Underground Space

New Orders



TECHNOLOGY

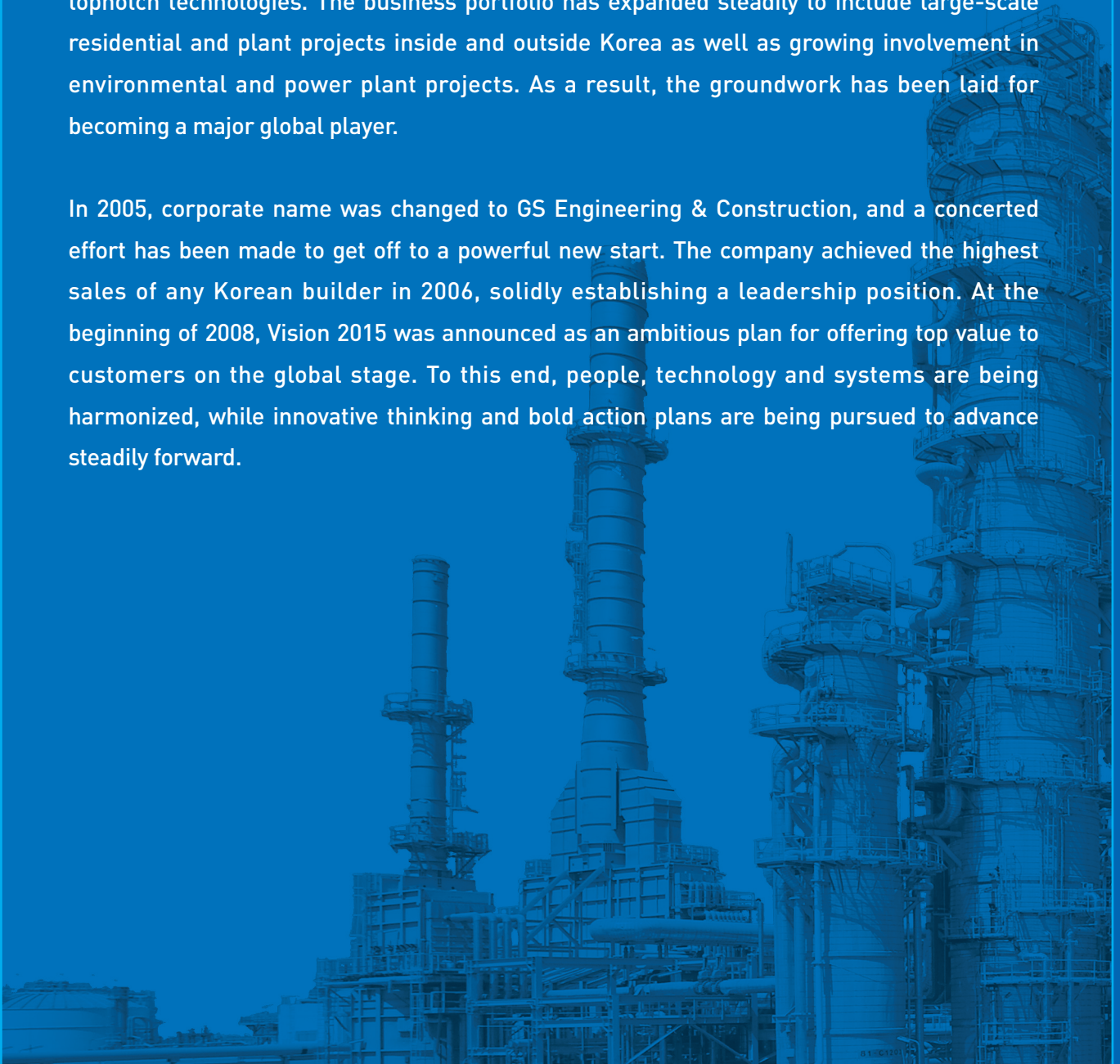
The Technology Division acquires core technologies through research and development, helps to create new businesses for the company, and supports efforts to improve overall productivity. The Division also provides the optimal technology for each business division and technical support to individual construction sites.

- R&D • Site Technical Support • Support for Order-taking • Technology Management

COMPANY OVERVIEW

GS Engineering & Construction was established as LG Construction Co. in 1969 and since then has achieved remarkable results in many fields, thanks to an outstanding workforce and topnotch technologies. The business portfolio has expanded steadily to include large-scale residential and plant projects inside and outside Korea as well as growing involvement in environmental and power plant projects. As a result, the groundwork has been laid for becoming a major global player.

In 2005, corporate name was changed to GS Engineering & Construction, and a concerted effort has been made to get off to a powerful new start. The company achieved the highest sales of any Korean builder in 2006, solidly establishing a leadership position. At the beginning of 2008, Vision 2015 was announced as an ambitious plan for offering top value to customers on the global stage. To this end, people, technology and systems are being harmonized, while innovative thinking and bold action plans are being pursued to advance steadily forward.





GLOBAL BEST & FIRST

● Global Project Status
(Previous & Current)

Sohar Aromatics

[Client] Aromatics Oman LLC
[Location] Sohar, Oman
[Contract Period] Jun. 2006-Nov. 2009
[Project Description] BTX 1,000,000 MTPY

Business opportunities for GS E&C are sought in Korea as well as in strategically important regions outside Korea.

GS E&C operates confidently as a global player in cultivating growth engines for the future. Internally we work with engineers from various countries, and our current overseas projects span fifteen nations. Our goal is to be a top-tier global player and trusted partner for customers, employees, investors and the general public alike. To this end, we creatively and passionately provide value that enriches people's lives.



Great Innovation

I lead changes with an open mind.
Diversity, Creativity, Change



Great Challenge

You & I create the highest value with passion.
Pioneership, Initiative, Excellence



Great Partnership

We grow up together with the world.
Respect, Cooperation, Win-win

Message from the CEO

The coming year marks the beginning of a new decade. This is an opportunity for us to renew our determination to realize our corporate vision, achieve business targets, and earn greater respect as a socially responsible company.

To Our Shareholders:

In 2010, we pursued various ways to achieve both growth and financial soundness amid an adverse business climate. Moreover, we worked to become a more flexible, creative organization through corporate culture innovation. As a result, we managed to attain solid growth, with ₩14.1 trillion in new orders, ₩7.9 trillion in sales and ₩521 billion in operating profit.

Our management was recognized as being world class in 2010 with our successful listing on the DJSI World, the very best of the Dow Jones Sustainability Indexes and one of the most objective measurements of sustainable management practices at corporations. I believe the unwavering support from you, our customers and shareholders, as well as to the passionate efforts of our people to attain performance targets made such accomplishments possible in 2010.

The adverse business environment is expected to persist as we head into 2011. However, companies that remain complacently satisfied with the status quo and avoid taking on new challenges for growth will end up being eliminated from the market. We fully recognize the importance of securing growth momentum this year and will devote ourselves to this task. At the same time, we will continue to strengthen our risk management program to improve our financial soundness.

In step with this strategic direction, we have defined our 2011 management directive as “balancing growth with value management” and have set our performance targets at ₩16.2 trillion in new orders and ₩9 trillion in sales.



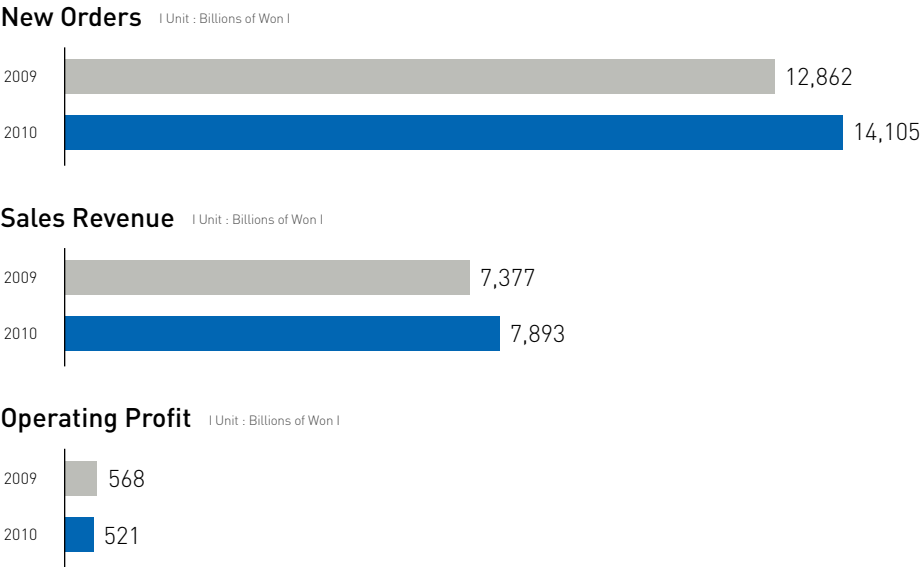


To this end, we will first focus on strengthening our business competitiveness. By “strengthening business competitiveness,” I mean being among the world’s best in marketing, design, project execution and all the other aspects of our business. This will allow us to build the global competitive edge we need to outdo our rivals.

First, we will intensively support our overseas civil engineering and building construction projects. To this end, we will focus our attention on our overseas regional offices and on operational localization, working hard to build up marketing capabilities, which are at the very heart of our overseas business. In addition, in-house-engineering capabilities will be strengthened so that we may expand our in-house involvement in FEED (front-end engineering design) and basic design. We will also secure a competitive edge in new business areas such as LNG liquefaction and FPSO (floating production storage & offloading) projects. Cost competitiveness overseas will be raised by our adhering to global standards in support functions such as project documentation and procurement. We will also improve the global sourcing system by contracting new vendors and expanding our outsourcing from Latin America and Africa and other new regional markets.

Our second area of focus will be safety management. Our safety management philosophy is “adhere to the basics and principles.” While remaining faithful to this philosophy, this year we will make organizational adjustments to instill more advanced safety management methods in our people. Various support measures will also be taken to heighten our ability to implement these methods, thereby helping to eliminate the possibility of serious accidents. In addition, we will encourage all our suppliers to learn and adopt our safety management philosophy and grow together with us in a “win-win” spirit. In the process, GS E&C can grow as an industry leader with a solid corporate culture.

Next, we intend to secure a competitive edge in the domestic and overseas markets. This will be done by building a system for new growth and securing the capability to put it into practice in new growth projects. To acquire such new growth engines, we continue to engage in project areas that are strategically important to us while expanding



our service lines in “green” and future-oriented project areas and diversifying our project portfolio. We are also seeking out and advancing into entirely new project areas.

During 2010, we identified a total of 23 new growth items within our business divisions. These include energy solutions, waste-to-energy facilities, water treatment and LNG liquefaction plants. In the coming year, we will further scrutinize our selected project areas and devise concrete action plans to secure the capabilities to execute such projects. We will also consider investments, mergers and acquisitions as the means for advancing into new project areas.

In closing, let me touch on our upgraded approaches to financial soundness. In the wake of the recent global financial crisis, we have put greater emphasis on cash flow and “scenario management” as part of efforts to change our strategic planning system. These policies are practices in the day-to-day operations within the organization. On this basis we will be able to strengthen our management of business objectives in 2011. At the same time, our risk management operation is being revamped, to include the establishment of an early warning system that covers both constant and proactive risk management activities. The strategic usability of this system is also being enhanced so that it becomes a cornerstone of corporate growth.

The coming year marks the beginning of a new decade. This is an opportunity for us to renew our determination to realize our corporate vision, achieve business targets, and earn greater respect as a socially responsible company. Moreover, I can assure you that we are firmly committed to repaying your loyalty and trust by making shareholder value our top priority.

President & CEO
Myung-Soo Huh

Board of Directors

The GS E&C Board of Directors, the highest decision-making body in the company, consists of four standing members and five outside members. The Board freely discusses and then decides on important corporate governance issues, including how the General Shareholders' Meeting and BOD meetings are conducted. The BOD members also oversee major investment decisions, management plans, accounting and finances, and key personnel and organization policies. As a result, operational transparency is raised, the accountability of top management is reinforced, and the internal oversight and control functions are faithfully performed.



Chang-Soo Huh

- Chairman of the Board
- Presently Chairman of GS E&C
- Presently Chairman of GS Holdings
- Chairman of LS Cable (former LG Cable)



Myung-Soo Huh

- Presently President & CEO of GS E&C
- COO of GS E&C
- CFO of GS E&C
- Senior Vice President of LG Electronics



Sang-Ryong Woo

- Presently President & CGO of GS E&C
- Head of Plant Business Division
- Senior Executive Vice President of GS Caltex



Hwi-Sung Lee

- Presently Senior Executive Vice President of GS E&C
- Presently Head of Domestic Business Div.
- Head of Civil Engineering Business Div.



Seong-Woo Moon

- Outside Director
- Presently Attorney at Law Firm Barun
- Korea's 51st Deputy Attorney General



Chung-Man Kim

- Outside Director
- Presently Full-time Counselor of LS Industrial System
- Vice Chairman of LS Industrial System
- CEO of LS Industrial System



Duk-Hoon Lee

- Outside Director
- Presently In-house Advisor of Professional Law Firm Youngjin
- President of the Woori Bank
- Member of Monetary Policy Committee



Chong-Kun Pyun

- Outside Director
- Presently Professor of Myongji University
- Chairman of Korean Society of Civil Engineering



Kyung-Suh Park

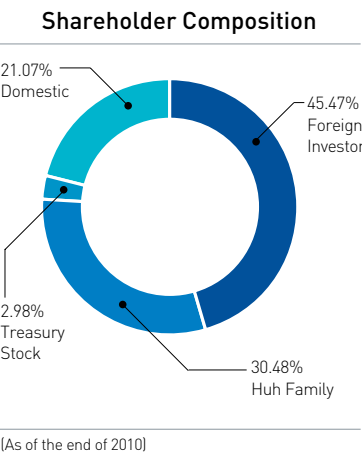
- Outside Director
- Presently Professor of Korea University
- Vice Chairman of Korean Finance Association

Corporate Governance

GS E&C strictly maintains corporate transparency and managerial accountability by applying an advanced corporate governance structure that is centered on the Board of Directors. The Board supports the top executives, enabling them to exercise their creative and progressive enterprising spirit. This, in turn, maximizes corporate value in the long run. Moreover, the company practices a comprehensive “shareholder first” policy to ensure that operational results and corporate value are returned to shareholders in the form of real benefits.

BOD Committees	
Audit Committee	
Outside Director	Duk-Hoon Lee Chung-Man Kim Kyung-Suh Park
Outside Director Recommendation Committee	
Inside Director	Chang-Soo Huh
Outside Director	Chong-Kun Pyun

Corporate Governance			
2001	2002	2004	2008
Best Corporate	Good Corporate	Best Corporate	Very Good



BOD Activities

The GS E&C Board of Directors is responsible for interpreting issues regarding the law and Articles of Incorporation and executing tasks entrusted to it by vote at the General Shareholders' Meeting. Other BOD duties include making important decisions on policy implementation and the basic direction of corporate operations, as well as overseeing the work of the individual directors. The nine-member Board, which includes five outside directors, convened eleven times during 2010 and deliberated on eighteen agenda items. In conformity with the law, the BOD has also established two subcommittees, one for audit and the other for nominating outside directors, for faster and more efficient decision-making. Part of the BOD's authority is delegated to these subcommittees, which consist of the directors who are most experienced and knowledgeable in the area concerned.

Audit & Nomination Subcommittees

The Audit Subcommittee performs an oversight and support function that brings restraint and balance to the internal auditing of performance results, thereby maximizing corporate value. The three persons on the subcommittee are all outside directors, and they held four meetings in 2010. The Nomination Subcommittee was established to ensure independence and impartiality in the outside director selection process. One of the two members is an outside director, and the subcommittee convened once during 2010.

External Assessment of Corporate Governance

The corporate governance structure at GS Engineering & Construction is ranked the highest of all domestic construction companies by the Korea Corporate Governance Service. GS E&C was the only Korean builder to receive a “Very Good” evaluation in the 2008 KCGS rating, and the company's corporate governance was also judged to be excellent by the Korean Stock Exchange in 2001, 2002 and 2004.

Shareholder Composition

As of the end of 2010, foreign investors held 45.47 percent of the total shares issued by GS Engineering & Construction while domestic institutional and individual investors held 21.07 percent. Another 33.46 percent of the shares were either owned by major shareholders [Huh Family] or by GS E&C as treasury stock.

Sustainability Management

The people at GS E&C have long recognized the importance of sustainability management and have put it into practice to strike a balance among economic, environmental and social activities. To this end, we maintain an active dialogue with internal and external stakeholders, to include customers, shareholders, employees and subcontractors. Importantly, these actions are linked directly to corporate responsibilities regarding key social, economic and environmental issues. They also manifest the core values of the GS E&C organizational culture, which emphasizes the need for “Innovation,” “Challenge,” and “Partnership.”

Great Innovation

We pursue proactive and creative “change” to address climate change and other pressing environmental issues. A low-carbon, green growth operational system is in place, and our involvement in “green” projects is being expanded to achieve sustainable advancement based on green growth.



Climate Change Response with Green Management

GS E&C has established green management strategies to address climate change, which is now a major global issue. An organizational unit has been formed to implement this green management program, thereby lowering risks related to climate change. At the same time, we are advancing into the market for new and renewable energy and obtaining new business opportunities in areas such as green transportation networks.

In 2010, we built a greenhouse gas (GHG) inventory, putting the finishing touches on infrastructure that allows us to manage energy consumption volume and GHG emissions most efficiently. Our energy consumption volume was 2,825.26 terajoules, while GHG emissions amounted to 245,961 tons of CO₂. Both totals were somewhat higher than the figures posted in 2009, but a new target has been set to achieve 30 percent lower GHG emissions than the business-as-usual (BAU) estimate by 2020.

A companywide campaign is in effect to lower GHG volumes through office lighting management, carpooling and other programs. Employees have signed the “Energy Efficiency in Building (EEB) Manifesto” as an expression for their commitment to energy-use reduction. In addition, our energy target management system is expected to bring more opportunities in the energy service company (ESCO) sector. Therefore, we have obtained an ESCO business



license, joined an ESCO association, and are cultivating experts in the field in order to build a new system for offering energy-related solutions. Detailed surveys are now being conducted in the public as well as private sector markets so that we may establish the best strategies for market entry.

Efforts to Minimize Environmental Impact

GS E&C is building a companywide system for implementing environmental management under the direction of the Quality & Environment Team. The goal is to minimize the impact on the environment at every stage of operations, from R&D, engineering, procurement and construction work to dismantling and removal. An environmental monitoring system has been established to oversee the activities that require supervision at each stage of a project. Data on the results are shared online within the company, and the environmental data system provides tailored support for environmental management operations at individual construction sites. Meanwhile, in 2010 the Green Information Management System was developed for gathering and analyzing environmental data as well as

for managing the “green” performance results such as green technology development and environmental protection activities. A Water Quality Control Guidebook is used to anticipate potential environmental damage from water pollutions sources. We also thoroughly control our facilities and have improved our soil remediation technologies to minimize soil pollution. Wildlife sanctuaries and crossings are built and our employees are being trained to preserve the biodiversity of the areas adjacent to our construction sites. Dust nets, sprinkler trucks and sprinkler systems are used to control the fugitive dust generated during construction work. Underground water and rainwater are used in these sprinkler operations to reduce water resource consumption. We continue to find ways to reduce solid waste, while the waste that is produced is separated, and waste collection is managed in real time. As a result, our solid waste volumes are decreasing with each passing year. We developed and now follow a manual for handling asbestos according to the standards set by the US Environmental Protection Agency. The results of this effort were recognized. We were named an outstanding company for asbestos management and awarded the Korean Environment Minister’s Prize in 2010.

Sustainability Management

In addition, our Environmental Conflict Prediction Program is being implemented to help us avoid conflicts and eliminate the possibility of accidents at the pre-project stage. Noise and vibration from construction work are being minimized through the installation of noise barriers and covers, while noise readings are disclosed on electronic billboards.

Green Technology for Industry Leadership

GS E&C is acquiring and commercializing essential technologies for realizing a sustainable society. Importantly, industry-leading value is being created through the research and development of green technologies linked to each of the company's business divisions. GS E&C is currently working on the design of the so-called "3-Zero House," a futuristic residence with no net energy consumption, no

air pollutants inside and no noise from outside. In 2010, the outer skin of this model concept was designed by applying highly airtight windows, vacuum insulation and other elemental passive solution technologies. The combination of innovations achieved a 50 percent reduction in the energy load.

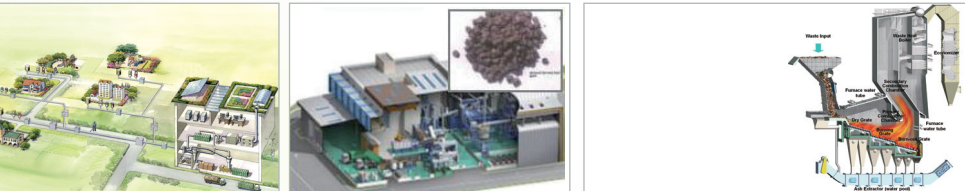
Now research is directed at bringing net energy consumption to zero by proving designs that combine heat sources from various types of new and renewable energy. Also under development are air quality sensors to detect the presence of toxic chemical substances inside in real time as well as top-grade soundproof drywalls to block noise from adjacent units. The result will be a safer and more comfortable residential environment.

Such unique "green" technologies from GS E&C are being integrated into the construction of environment-friendlier structures. As of the end of 2010, a total of 21 buildings have received the government's "Eco-friendly" certification.

Green Technology

Product	Details
"3-Zero" House	An "intelligent" residence that is people-oriented and environmentally friendly, with designs to eliminate net energy consumption, noise from outside, and airborne chemicals inside
GS (Green Smart) Buildings	A business model that integrates cutting edge technologies such as "green" buildings, "intelligent" buildings, and design specialization to lead the high-rise office building market of tomorrow
Desalination Plants	The business of building high-capacity, high-efficiency desalination plants
Water Reuse System	Membrane bioreactor and water reuse technologies are blended and a "zero discharge" system is developed
Waste-to-resources	A business model for optimizing the collection and processing of solid waste and turn it into energy and other resources
Smart Grid	A next-generation concept that uses IT integration in the electricity grid to enable real-time interaction between power suppliers and power users for maximum efficiency
Green Materials	Technology more eco-friendlier construction materials (such as cement) that currently generate the greatest GHG

Waste-to-resources Project

Product Portfolio	Automated waste collection technology	Clean incineration	MBT+RDF (Mechanical biological treatment & refuse-derived fuel)	Future-oriented technologies (gasification, carbonization)
				

Great Challenge

We at GS E&C embrace a challenging spirit and keen sense of responsibility, driving us to create the very highest economic value possible. We are bolstering our internal strength by acquiring core competencies and integrating risk management processes. Our corporate growth continues by our cultivating new growth project areas, expanding our global operations, and maximizing customer satisfaction.



Economic Value Creation for Sustainable Growth

We remain in step with the rapid changes within our industry and are building an apparatus for new growth by securing leadership in future-oriented projects and by creating a sustainable growth framework. A total of twenty-three project types have been selected for intensive development in five categories: New Life, Clean Environment, Complex Development, Smart Infrastructure and Green Energy. In 2010, we won contracts for various overseas projects, worth a total of ₩6.4 trillion won. Going forward, we expect at least half of all our new orders to be received from outside Korea. Our steady expansion overseas will provide the platform for sustainable growth and improve our competitiveness in order to grow as a major global player. Meanwhile our priority is on innovation, knowledge and creativity in order to acquire the competencies to support sustainable growth. Our

R&D spending continues to increase in a bid to raise our technology competitiveness. We engaged in 78 research projects during 2010, resulting in 38 new technologies that were applied at 168 different construction sites. The monetary effect is estimated at ₩7.6 billion.

Higher Corporate Value through Risk Management

The business environment is changing rapidly with the advent of diverse risks, to include the recent global financial crisis, dwindling natural resources, exchange rate volatility, climate change and water shortages. These risks are having an adverse effect on sustainable corporate growth. In response, the Integrated Risk Management Team was established to perform risk management from the companywide perspective. Risk factors are monitored carefully and management scenarios are

Sustainability Management

devised for major risk categories, thereby elevating the strategic utility of plans for responding to specific risks.

The corporate-level risk management unit began implementing a cash flow system in 2008 to manage capital liquidity risks stemming from higher initial investment expenses for development projects as well as an increase in the number of un-presold apartment units. The new system provided the funds needed to diversify and helped to curb indiscriminate development.

Management for Maximum Customer Satisfaction

Three key activities have been selected as means for enhancing customer value: “keep customer dissatisfaction in check,” “promote user convenience,” and “engage in cultural activities for customers.”

Systems are in place to collect customer feedback and residential user complaints. The channels for submitting complaints have been simplified and made more efficient, allowing us to hear from many more users. Diverse services are being offered to raise the convenience and cultural value of living in apartments built by GS E&C: the Xi Residents’ Service, Xian Lounge, Xian Manager, Xi Plus-One, Gaga Xi, and cultural classes inside the complexes. Resident’s diverse tastes and needs are satisfied, and distinctive lifestyles are provided. Our business philosophy stresses the need to “think and act from the customers’ perspective,” and “to remain by the customers’ side at all times.” Our dedicated practice of these tenets earned our Xi Apartment brand the top spot on the Global Customer Satisfaction Index conducted by the Japan Management Association for six straight years, from 2005 through 2010.

Great Partnership

“Partnership in growth” is our goal. Mutual prosperity, open cooperation, and mutual growth are the means for us to build trust with all stakeholders.



Dedicated to Growth with Partners

We maintain tight partnerships with our subcontractors through a “win-win management” system that covers everything from performance assessment and supervision to support and training. Three major guidelines have been established for ensuring that subcontractors are treated fairly. One covers the subcontractor selection and all provided with fair and equal opportunities. These guidelines cover the selection and hiring of subcontractors, finalization of contracts with them, and operation of the Subcontractor Board. Quarterly performance assessments are conducted, and the results are transparently disclosed to all parties concerned, ensuring the fairness of all management processes.

Four “win-win” programs are now in place to strengthen subcontractor competitiveness by offering: (1) financial support (loans, deposits), (2) training and better interaction (future CEO course, Subcontractor Board), (3) technical support (such as for patent applications), and (4) operational support (Management Doctor Program, hiring fair). In 2010, the GS E&C Partnership in Growth Committee was also established in line with the GS Group’s directives regarding assistance to subcontractors. This new body will help to further strengthen the “win-win” management program.



A Corporate Culture of Integrity & Caring

The GS E&C Code of Ethics provides employees with a sense of responsibility, while they also attend various programs that instill ethical business practices. All employee training courses, available both online and offline, blend practical case studies with theoretical elements. The company also runs a campaign to discourage the giving and receiving of gifts, a program that awards whistleblowers, and a system of joint accountability. Examples of unethical business practices are available via various channels, including an online library, for employees who need assistance.

In addition, the corporate social responsibility (CSR) activities at GS E&C are classified as (1) social welfare, (2) education & culture, or (3) environment & safety programs. Community service activities in 2010 included the repair of homes for low-income families, a children’s invitational event at year’s end, a charity kimchi-making event, and employee volunteers who visit elders living alone. As a result, the company was presented with the first annual Forbes Social Contribution Award, jointly organized by Forbes magazine and the Korea Chamber of Commerce & Industry.

A Safe & Dynamic Workplace

The safety policy at GS E&C stresses adherence to the basics and to principles. Major tasks for management are to focus on site-oriented safety management and advanced safety controls in order to eliminate serious accidents. In 2006, GS E&C became the first in Korea’s construction industry to establish a “safety innovation school,” which offers classes on accident prevention to GS E&C employees, subcontractor employees and other workers.

We believe that the growth of our employees is the growth of the company, and diverse training opportunities are provided so that all our people can be globally competitive. In 2010, we spend ₩5.3 billion on training, and employees spent an average of 125 hours in training of some kind during the year.

Horizontal communication between management and employees is being improved as well in an effort to build labor relations on the basis of trust and principles.

*For more information of the sustainable management activities at GS E&C, please refer to the GS E&C 2010 Sustainability Report. You may download a copy at:

<http://www.gsconst.co.kr/english/sr01.asp>

Business Highlights 2010

GS E&C operates confidently as a global player in cultivating growth engines for the future. Internally we work with engineers from various countries.



Record Volume of New Orders

New orders topped ₩14 trillion in 2010, up 10% from a year earlier. The current backlog stands at ₩44.9 trillion, which includes ₩11.1 trillion in provisional orders for apartment complexes. As a result, our annual growth rate in new orders received has averaged 11 percent since 2006.



Diversity in Regions & Project Types

Traditionally, our overseas construction work was heavily weighted toward refineries and other processing plants for oil and gas, but we have continued to expand the number of civil engineering, building construction, and environmental infrastructure projects outside Korea. Major overseas projects won in 2010 include a fertilizer plant in Australia, an oil sand facility in Canada, and a wastewater treatment plant in Bahrain, thereby diversifying our overseas portfolio in terms of regions and project types.



Listing on 2010 DJSI World



GS E&C was included on the 2010 Dow Jones Sustainability World Index. The DJSI World has been prepared by Dow Jones Indexes of the US in cooperation with SAM Indexes GmbH of Switzerland since 1999. It lists companies among the top 10 percent for sustainability out of the largest 2,500 companies on the Dow Jones Global Total Stock Market Index. The ratings cover both financial and non-financial performance, including environmental and corporate social responsibility activities.

2010 At a Glance

01 MOU with KHNP for Tidal Power Plant

GS E&C and Korea Hydro & Nuclear Power Corp. signed an MOU to build an tidal power generation facility in a January ceremony at the Intercontinental Hotel in Seoul. The plant will be located in the waters off Incheon, on Korea's West Coast, and will have a capacity of 1.32 million kW, making it the world's largest. GS E&C will be the EPC contractor for this project, with groundbreaking set to begin in the second half of 2011.



02 Core Values for a New Organizational Culture

In May 2010, more than 350 employees gathered at the GS Tower in southern Seoul for a ceremony to declare three core values that will help to transform the corporate culture. The first is "Great Innovation," which promotes respect for diversity among organizational members. Second is "Great Challenge," a call for employees to take the initiative and strive for excellence. Finally there is "Great Partnership," which stresses communication and cooperation as the means for fostering growth among organizational members, customers and society at large.



03 Order for Oil Sand Plant in Canada

In August, GS E&C and Harvest Energy Trust, headquartered in Calgary, Canada, concluded a US\$299.5 million contract for an oil sand plant for the Black Gold Oil Sands Lease, in northern Alberta, Canada. The EPC project includes the construction of the main processing equipment as well as peripheral facilities, with completion scheduled for 2012.



04 Most Respected Corporation for 2nd Year

GS E&C was named "Korea's Most Respected Company" for the second straight year at Korea's Most Respected Companies and CEOs Awards. The program is hosted by Korea CEO Association (KCEOA) in partnership with the Korea Chamber of Commerce & Industry and Korea Economic Daily. In particular, the award recognizes GS E&C's commitment to maintaining "win-win" relationships with small and medium-sized enterprises (SMEs). The company is helping to bolster the technological competitiveness of SME subcontractors by working with financial institutions to lower their interest expenses, jointly developing new technologies, offering them regular training opportunities, and providing system support.



05 2010 Asia Construction Award for Plants

The Asia Economy Daily newspaper presented GS E&C with the 2010 Asia Construction Award in the Plant category. The award honors the company's recent success in the Middle East such as the Green Diesel Project (refinery complex) in Abu Dhabi and major EPC contracts in Oman.



06 Research Facility at KAUST

Ocean water desalination is an industry with great growth potential. GS E&C is researching an improved desalination system in partnership with the King Abdullah University of Science and Technology (KAUST) and has opened a new R&D center in Saudi Arabia. Once completed, the new system is expected to lower desalination plant construction costs by some 25 percent and lower operation expenses by around 20 percent compared with currently available models. GS E&C also plans to expand its joint research program with KAUST to include new and renewable energy, and environmental protection.



07 Major Oil Pipeline Project in UAE

A ceremony was held in October to finalize a contract valued at US\$620 million to install a 230km pipeline to connect refineries in Abu Dhabi with the Ruwais Industrial Complex as well as a pipeline from the Al-Ain tank terminal to the Abu Dhabi International Airport. In total, the pipelines will extend over more than 900 kilometers (565.4 miles) when completed in March 2014.



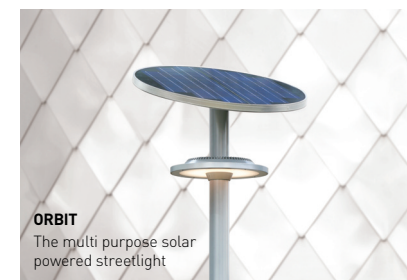
08 1st Forbes Social Contribution Award

GS E&C's volunteer service organization (Xi Sarang Nanum-dang) was recognized for its programs to replace flood-damaged floor covering and repair the homes of elderly persons living alone. The company received the first annual Social Contribution Award cosponsored by Forbes Korea and the Korea Chamber of Commerce & Industry.



09 2010 Green Housing Award

The environment-friendly technology provided by the Xi apartment brand earned GS E&C the 2010 Green Housing Award (Minister of Land, Transport and Maritime Affairs Award). Xi received high marks in categories across the board, to include energy-saving technology and landscaping, cutting-edge "smart" home environments, fire prevention features and environmental protection. The judges described the "Green, Smart Xi" facility inside Xi Gallery, a model apartment showroom in southern Seoul, as "a venue where one can verify the eco-friendly direction and technology in which residential construction is moving as we go forward."



10 Design Award Grand Slam

In 2008 GS E&C became the first Korean builder to be honored by all three of the world's most prestigious design award programs (iF, red dot and IDEA) during a single year. The company repeated the feat in 2010. (An IDEA for the Orbit, a multipurpose solar-powered street light; an iF for Eco-Space, an environment-friendly sunscreen; and a red dot for Sol-Beam, a solar-powered system for vines.)



REVIEW OF OPERATIONS

We tightened operational controls and made cash flow a priority to ensure soundness in any crisis. These efforts paid off with a record-breaking performance: new orders valued at over ₩14.1 trillion, sales surpassing ₩7.9 trillion, and operating profit of ₩521 billion.

24_Plant 28_Housing 32_Civil Engineering 36_Architecture
40_Power & Environment 44_Technology 48_Management's Discussion and Analysis
54_Share Data 56_Company Milestones

PLANT

We are diversifying our portfolio to achieve sustainable growth and become a top-tier global player.

5,789

New Orders (Billions of Won)



→ No.3 Heavy Oil Upgrade

Client | GS Caltex
Location | Yeosu, Korea
Contract Period | Oct. 2008 ~ Dec. 2010
Project Description |
HCR : 60,000 BPSD FCC : 53,000 BPSD
HMP : 110 MMSCFD SRU : 450 ton/ Day

2010 Performance Summary

Contracts won in new geographical regions, including the Collie Urea project in Australia and an oil sand project in Canada, helped to boost new orders to ₩5.8 trillion despite heightened competition among plant builders. Sales reached ₩2.6 trillion, up 8 percent from a year ago, surpassing the ₩2 trillion-mark for the fourth consecutive year. Gross profit totaled ₩326 billion, thanks to various improvements in internal operations, including lower operational costs and better risk management.

2011 Outlook and Plans

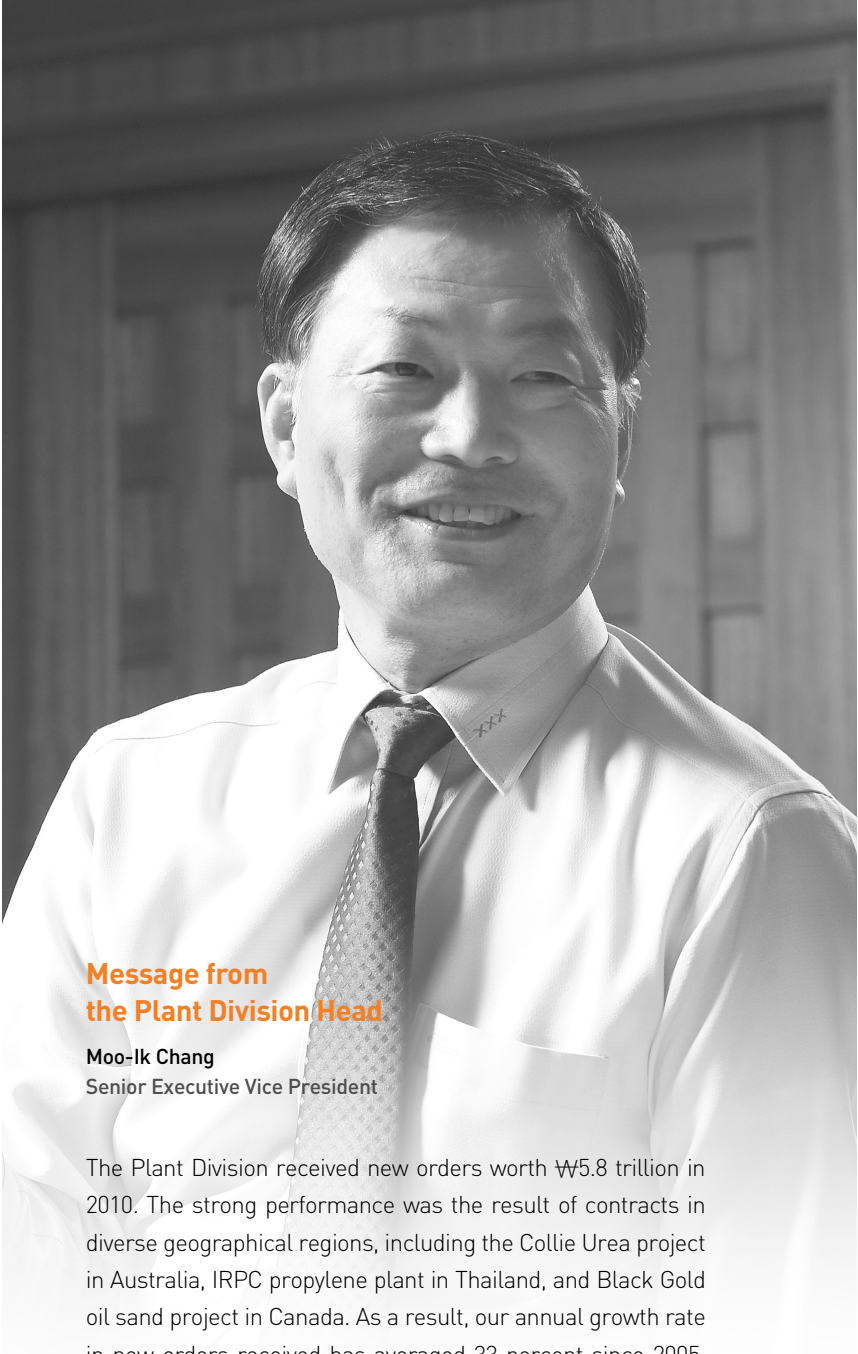
In the coming year, the global economy is expected to reach an inflection point whereby the lingering effects of the financial crisis are shaken off, oil prices rise and economic growth accelerates. Accordingly, positive signals are expected to be seen in the market for refineries, petrochemical plants and gas processing facilities. New orders for refineries and petrochemical plants should continue to come from China, India and the Middle East, while strong demand for gas plant construction is forecast for emerging economies, particularly in Asia, as well as for Australia.

The Plant Division will focus on identifying new growth engines that have the potential to be a lucrative source of revenue over the long run. For the short/mid-term, the Division will lay the groundwork to emerge as a top-tier global player by acquiring the necessary talent and reducing costs.



Ever advancing to become the world's foremost plant builder!

Our networks were improved in major overseas regions, while we continued to grow by focusing on project type and region diversification. We also worked on strengthening our capabilities in the gas processing area and on advancing into new project areas for the future.



Message from
the Plant Division Head

Moo-Ik Chang
Senior Executive Vice President

The Plant Division received new orders worth ₩5.8 trillion in 2010. The strong performance was the result of contracts in diverse geographical regions, including the Collie Urea project in Australia, IRPC propylene plant in Thailand, and Black Gold oil sand project in Canada. As a result, our annual growth rate in new orders received has averaged 33 percent since 2005, when the figure topped ₩1 trillion for the first time.

Our Division is committed to diversifying the business and regional portfolios for sustainable growth. As a result, we managed to win our first orders in Australia and Canada and to receive our first-ever contracts for a fertilizer plant, pipeline and oil sands plant in 2010. In 2011, we plan to expand our global network to six continents by augmenting our sales force in Latin America and Africa as well as to seek future growth engines.

We will not be complacent about our being the top plant builder in Korea. Instead, we will continue to strive to become a top-tier global player that can compete shoulder to shoulder with the world's very best.

New Orders

[Unit : Billions of Won]



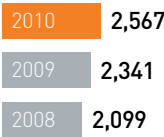
Order Backlog

[Unit : Billions of Won]



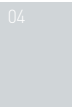
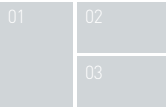
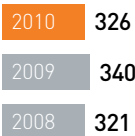
Sales Revenues

[Unit : Billions of Won]



Gross Profit

[Unit : Billions of Won]



01 PTT LNG

[Client] PTT LNG Co. Ltd
[Location] Map Ta Phut, Thailand
[Contract Period] Feb. 2008 ~ Jun. 2011
[Project Description] LNG Storage Tanks
Jetty, Vaporizer

02 Salalah Methanol

[Client] Salalah Methanol Company
[Location] Salalah, Oman
[Contract Period] Apr. 2007~Apr. 2010
[Project Description] Methanol
1,000,000 Tons/year

03 HMC PP

[Client] HMC Polymers Co.
[Location] Map Ta Phut, Thailand
[Contract Period] Jul. 2007~Nov. 2009
[Project Description] Polypropylene 300,000 MTPY

04 Sohar Aromatics

[Client] Aromatics Oman LLC
[Location] Sohar, Oman
[Contract Period] Jun. 2006~Nov. 2009
[Project Description] BTX 1,000,000 MTPY



HOUSING

With an emphasis on value-based management, we will build the platform for long-term growth by boosting new order volume and advancing into new growth businesses.

3,003

New Orders (Billions of Won)

→ Ilsan Xi

Client | DSD SAMHO
Location | Kyungkido, Korea
Contract Period | Dec. 2007 – Oct. 2010
Project Description | 4,683 Units,
Total floor area 1,023,215 m²

2010 Performance Summary

The Housing Division received more than ₩3 trillion in new orders, despite a weak housing market. The order backlog reached ₩12.6 trillion at year's end, larger than that of any other residential builder in Korea. This will serve as a solid platform for further growth.

However, sales revenues have slightly decreased in 2010 to top ₩2.3 trillion, due to the completion of multi-residential projects such as Seongbok Xi and Ilsan Xi. In 2011, sales revenues are also expected to shrink even though the Gangseo and Dorim Xi complexes will go on presale, because the global economic downturn has weakened presales of newly-built apartments in Korea during the last two years.



2011 Outlook and Plans

In 2011, the Korean housing market is expected to rebound, but the extent of the recovery will be limited because of higher interest rates and the expansion of the government's "Bogeuinjari Housing Plan," a massive public tract and rental housing project. Considering the volatility in the housing market, GS E&C will focus on fiscal soundness and continue its solid growth by reducing costs.

The 2011 performance targets have been set at ₩3.5 trillion in new orders received and ₩1.4 trillion in sales. Profitable growth will be pursued through an aggressive response to new market conditions, systematic project execution and thorough risk management. In addition, the early introduction of our "Green Smart Xi" apartments will provide an eco-friendly residential environment, bolstering GS E&C's position in the global housing construction industry.



Maximizing the value of residential space and creating luxurious lifestyles

We are changing people's lives and realizing elegant residential lifestyles that employ the latest technologies that bring people and nature, and a high-tech digital environment together.



Message from
the Housing Division Head

Chung-Hee Lim
Executive Vice President

We faced a difficult year in 2010 because of the global economic downturn and weak housing markets inside and outside Korea. Despite the adversity, our Division focused on providing distinctive products that cater to customer needs. As a result, all units were quickly presold at the Haeundae Xi apartment complex and elsewhere.

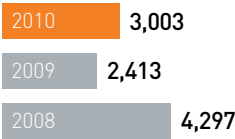
Moreover, our apartments won 18 awards at home and abroad, including the prestigious iF Design Award and red dot award in Germany as well as IDEA Awards in the US, bolstering our stature as Korea’s No. 1 apartment brand.

We will commercialize our eco-friendly, energy-efficient “Green Smart Xi*” design ahead of schedule. As such, we will be a frontrunner in green housing technology to accommodate the government’s green growth policy and reflect customers’ changing needs. Moreover, we will lay a solid foundation for future growth by continuing to offer homes of great value that are in step with domestic and overseas market requirements.

*Green Smart Xi: Xi apartments equipped with the new Energy Management System (EMS)

New Orders

[Unit : Billions of Won]



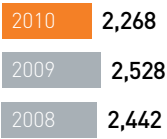
Order Backlog

[Unit : Billions of Won]



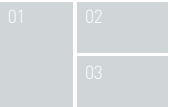
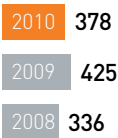
Sales Revenues

[Unit : Billions of Won]



Gross Profit

[Unit : Billions of Won]



01 Seongbok Xi

[Client] ELEVEN
[Location] Kyungkido, Korea
[Contract Period] Jan. 2008 ~ Sep. 2010
[Project Description] 1,502 Units,
Total floor area 343,452 m²

02 Cheongla Xi

[Client] GS E&C
[Location] Incheon, Korea
[Contract Period] Dec. 2007 ~ June. 2010
[Project Description] 884 Units,
Total floor area 198,458 m²

03 Yeonsan Xi

[Client] KOREIT
[Location] Busan, Korea
[Contract Period] Jun. 2007 ~ July. 2010
[Project Description] 1,598 Units,
Total floor area 316,891 m²

04 Muk-dong Xi

[Client] Hanbu D&S
[Location] Seoul, Korea
[Contract Period] Oct. 2007 ~ Dec. 2010
[Project Description] 411 Units,
Total floor area 129,301 m²



CIVIL ENGINEERING

We will maintain our domestic market share by concentrating on strategically selected segments and improving our ability to attract new orders.

1,107

New Orders (Billions of Won)



→ **Gyeongchun Line Electrified Double Track Railway Section No. 7**

Client | Public Procurement Service
Location | Gangwondo, Korea
Contract Period | Dec. 1999 ~ Jun. 2010
Project Description |
Total 12.146km, 5 bridge, 4 tunnel

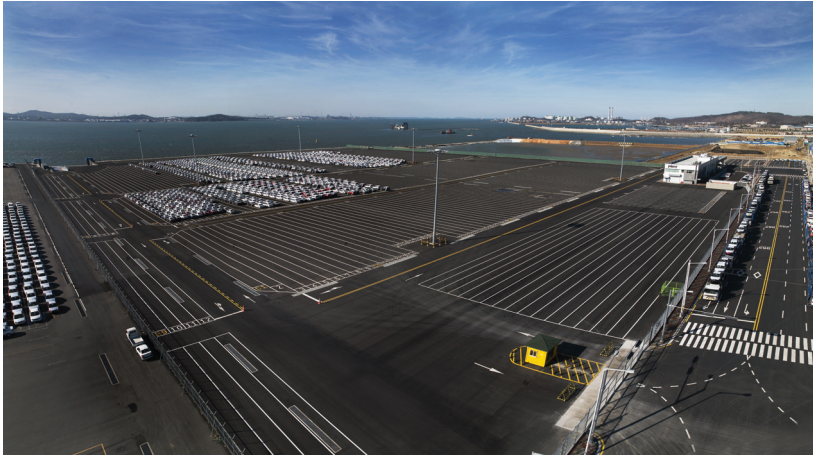
2010 Performance Summary

New orders received stood at ₩1.1 trillion in 2010, a significant drop from the year before due to fewer new orders in Korea and fiercer competition overseas. However, sales rose 30 percent from the previous year to post ₩1.1 trillion, thanks to a surge in new orders during 2009. In 2010, our Division took part in bids for projects in Middle Eastern oil-producing nations and emerging markets, building a network for broadening our overseas presence.

2011 Outlook and Plans

Ongoing projects, including the government’s Four Major Rivers Restoration, will account for most of the civil engineering investment in Korea in 2011. Therefore opportunities to receive new orders are expected to decrease. However, our Division aims to maintain our domestic market share by honing our ability to win new contracts for “green growth” projects such as railroads and harbor construction work, where the volume of new orders is expected to increase. Meanwhile, infrastructure construction work in Asia, the Middle East, Africa and Latin America will grow at an annual rate of 6-7 percent on average. The Civil Engineering Division will work to increase the volume of new orders for transportation infrastructure projects in these regions.

The 2011 companywide goal is to achieve a balance between growth and fiscal soundness. Under this direction, our Division aims to achieve ₩2.0 trillion in new orders received, a 94 percent increase from the previous year, by concentrating resources on new growth businesses and overseas projects. The 2011 sales target has been set at ₩1.1 trillion, similar to the figure for 2010.



Acting as a
cornerstone for
balanced regional
development and
economic
progress

Our wealth of experience and outstanding project execution expertise enable us to expand possibilities for people above and below the land and sea.



Message from
the Civil Engineering Division Head

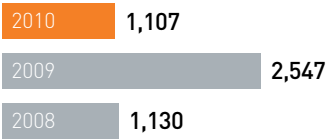
Jong-In Park
Senior Executive Vice President

Growth for the Civil Engineering Division slowed slightly in 2010 as a result of adverse market conditions at home and abroad. However, our Division continued to win new privately-funded infrastructure (PFI) projects in Korea and diversified overseas operations by bidding on contracts in Kuwait and Oman, helping to bolster the business portfolio. New types of construction work started by GS E&C in 2010 include a pilot project for maglev trains on Yeongjong Island and the estuary dike on the Yeongsan River. Our Division also continued to receive orders in new growth areas such as special bridges, railroads and port facilities, building a platform for mid-/long-term growth.

The volume of domestic government contracts will be sluggish in 2011. However we aim to maintain domestic market share by concentrating on strategically selected segments and strengthening our ability to attract new orders as well as to increase overseas business volume by expanding our involvement in emerging markets and oil producing countries in the Middle East. Moreover, we will strengthen the risk management processes covering every step of a project, improve cost competitiveness, and reinforce project execution capabilities overseas.

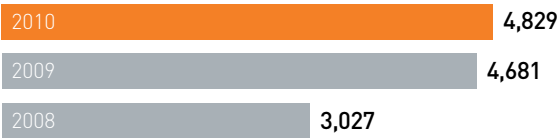
New Orders

[Unit : Billions of Won]



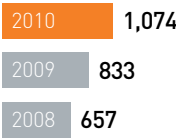
Order Backlog

[Unit : Billions of Won]



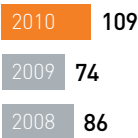
Sales Revenues

[Unit : Billions of Won]



Gross Profit

[Unit : Billions of Won]



01	02	04
	03	

01 Yecheon National Industrial Complex Expansion Section No.1

[Client] K Water
[Location] Jeollanamdo, Korea
[Contract Period] May. 1999 ~ Oct. 2012
[Project Description]
Earthwork 356,000,000m³, PBD 15,000,000m

02 PyeongTaek Port

[Client] EUKOR-Car Carriers Ins.
[Location] Pyeongtaek, Gyeonggi, Korea
[Contract Period] Apr. 2006~Oct. 2008
[Project Description]
Berth : 290m(8,600 PCEU)
Casin : 29
Dredging & Reclamation : 1.7Mil m³

03 2nd Namhae Grand Bridge

[Client] Busan Regional Construction Management Office
[Location] Namhae, Kyeongnam, Korea
[Contract Period] Oct. 2009~Sept. 2016
[Project Description]
Total Length: 3.1km
(990m Suspension Bridge) , 4 lanes

04 Daejeon-Dangjin Highway Section 5

[Client] Korea Expressway Corporation, Korea
[Location] Gongju, Chungnam Korea
[Contract Period] Dec. 2001~Dec. 2009
[Project Description]
Total Length : 8.5km, 4 lanes
Bridges : 9(Total Length : 2,642m)
Tunnel : 1(610m)



ARCHITECTURE

We will secure new growth engines by pursuing new growth areas and bolster our fiscal soundness by practicing the most advanced safety management.

2,198

New Orders (Billions of Won)

→ Alpensia

Client | Gangwondo Development Corporation
Location | Pyeongchang, Korea
Contract Period | Jan. 2007–Dec. 2010
Project Description |
Total floor area 151,800m²,
Hotel/Condominium/Waterpark

2010 Performance Summary

The Division fared well in the private sector market and received additional orders from GS, LG and LS affiliates, with new orders exceeding ₩2.2 trillion for the year, up 71 percent from 2009 despite delays in orders for some public projects. The Architecture Division achieved ₩1.4 trillion in sales, up 21 percent compared with the figure posted from a year ago, by winning additional new orders and continuing with existing projects.

The Division reinforced marketing activities in the strategically-important Middle Eastern and Southeast Asian regions, and received new orders for one project in Vietnam and another in Bangladesh. The domestic business portfolio continued to diversify with the entry into build-transfer-lease (BTL) projects and so-called "Ubiquitous City" urban development projects.



2011 Outlook and Plans

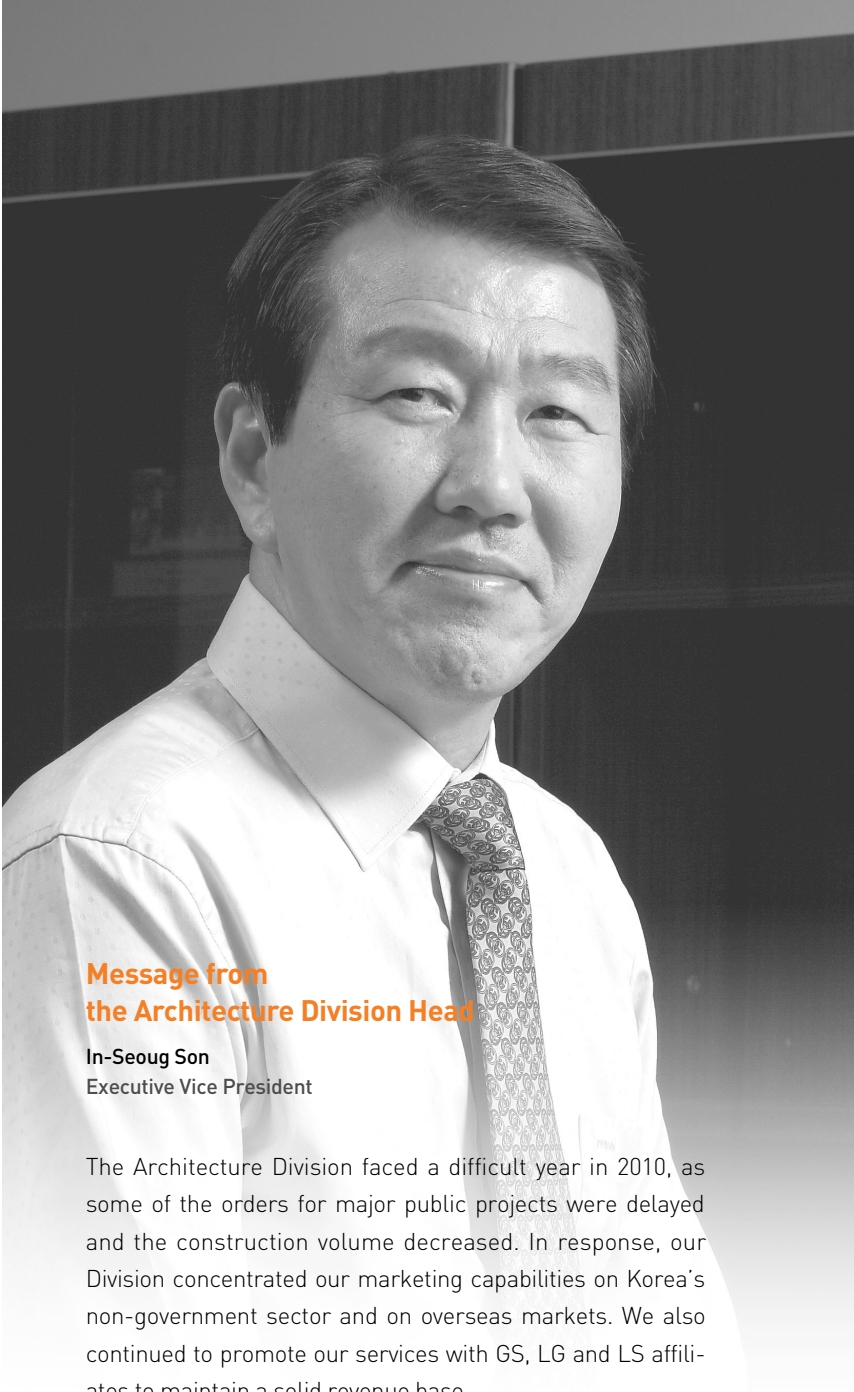
The domestic market is expected to shrink in 2011, while overseas markets will continue to grow, especially in the Middle East and Asia. The Architecture Division will focus efforts to win new orders for overseas projects while maintaining an appropriate work volume in the domestic public and private sectors. The marketing network will be reinforced, while cost competitiveness, and project execution capabilities will be enhanced to raise chances for winning new overseas orders. At the same time, the Division will expand domestic market shares by diversifying the business portfolio and expanding value chain.

The performance goals for 2011 include ₩2.1 trillion in new orders and ₩1.6 trillion in sales, up 12 percent from the previous year. The effort to discover new growth engines will continue, and advanced safety management will be practiced in a bid to eliminate the occurrence of serious accidents on project worksites.



Going beyond structures to write a new chapter in the history books

We are creating beautiful and practical places for people, while the latest functions and aesthetic forms are being blended to make industry breakthroughs.



Message from
the Architecture Division Head

In-Seoug Son
Executive Vice President

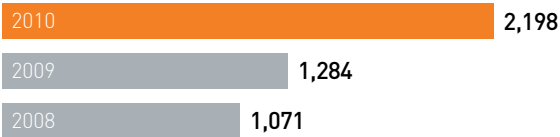
The Architecture Division faced a difficult year in 2010, as some of the orders for major public projects were delayed and the construction volume decreased. In response, our Division concentrated our marketing capabilities on Korea's non-government sector and on overseas markets. We also continued to promote our services with GS, LG and LS affiliates to maintain a solid revenue base.

We maintained our position in the public project sector by winning a turnkey contract for a general training center at the Korea Military Academy and the project for constructing a 345kV transmission line between Gunsan and Saemangeum. Our aggressive marketing efforts also resulted in our receiving major new orders, including the R&D center for NC Soft. Moreover, our continued marketing activities in strategically selected areas allowed us to be awarded the orders for the Lagoon Resort in Vietnam and a substation in Bangladesh, helping to spearhead our overseas expansion.

Our Division built laid the groundwork for financial soundness in 2010. In the coming year, our division will help GS E&C become a top-tier global company by balancing growth with profitability.

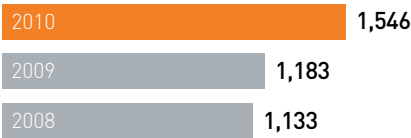
New Orders

[Unit : Billions of Won]



Order Backlog

[Unit : Billions of Won]



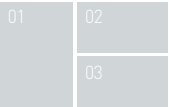
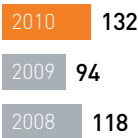
Sales Revenues

[Unit : Billions of Won]



Gross Profit

[Unit : Billions of Won]



01 Ferrum Tower

[Client] Dongkuk Steel
[Location] Seoul, Korea
[Contract Period] May. 2008 ~ Oct. 2010
[Project Description]
Total floor area 55,618, B6~28F

02 Kyungbang K-project
(Times Square)

[Client] Kyungbang Limited
[Location] Seoul, Korea
[Contract Period] Jun. 2006 ~ Sep. 2009
[Project Description]
Total floor area 308,597m², B5~20F

03 LG Display Paju LCD Cluster

[Client] LG Display
[Location] Paju, Korea
[Contract Period] Mar. 2004~Aug. 2008
[Project Description]
Total floor area 668,547m², B2~7F,
Total floor area 519,126m², B4~9F

04 LG Electronics Seocho
R&D Center

[Client] LG Electronics
[Location] Seoul, Korea
[Contract Period] Feb. 2006~Feb. 2009
[Project Description]
Total floor area 125,070m², B5~25F



POWER & ENVIRONMENT

2,008

New Orders (Billions of Won)

We will secure a solid business platform by increasing overseas orders and pursuing new growth areas.

→ Gunsan Advanced Sewage Treatment Plant

Client | Municipality of Jeollabukdo
Location | Jeollabukdo, Korea
Contract Period | Sep. 2006 ~ Mar. 2010
Project Description | Capacity 200,000M3/Day
Process : 4-stage BNR(Modified A2O Process)

2010 Performance Summary

The results for our power plant segment outperformed the initial business targets set at the beginning of 2010 in both the domestic and overseas markets. Overseas, we won orders for combined-cycle power plants in Oman (Barka Unit No. 3 and Sohar Unit No. 2) and in Australia (Collie). Domestically, we were awarded the contract for Units 1 and 2 at the New Uljin nuclear power plant, and Units 5 and 6 at the Yeongheung thermal power plant.

The new order targets for environmental projects were exceeded inside and outside Korea. By winning the wastewater treatment plant project for Bahrain Petroleum Company (BAPCO), the goal for overseas new orders target was surpassed. Domestically, meanwhile, orders were received for the automated solid waste collection system from Yeongjong Sky City and a sewage treatment plant from the South Chungcheong Provincial government. The automatic waste collection system will be constructed with in-house technology, proving our competitiveness in this sector. Finally, the Yongsan USFK area remediation project was awarded to GS E&C.



2011 Outlook and Plans

The overall market for power plant construction is expected to expand in step with growing demand for electricity in the Middle East, Latin America, Asia and Africa. The number of overseas environmental projects is likely to grow, especially in regions that have recovered from the global financial crisis. New projects will increasingly be privately funded, as the governments around the world attempt to reduce their fiscal burdens.

Therefore, the Division will strengthen marketing capabilities in the power plant segment by building closer ties with clients and improve cost competitiveness by leveraging project execution experience. The business domain will be expanded by advancing into renewable energy and overseas nuclear power plant projects to make up for the limited number of new orders available domestically. In the environmental sector, the Division will strengthen partnerships with major players, increase project financing, and improve operation capabilities. Plans call for identifying new opportunities for domestic privately-funded environment projects and building up the performance record.



Brightening the world with advanced lighting and energy technologies

Our cutting-edge technologies and impeccable project execution have propelled us to the ranks of the world’s very best power plant builders. We are also leveraging the latest technologies in wastewater treatment and water purification to generate future-oriented value.



Message from
the Power & Environment Division Head

Jung-Jae Huh
Senior Executive Vice President

The Power & Environment Division enjoyed robust growth in 2010 by advancing into overseas markets and expanding our presence in the nuclear power plant sector. We received orders for projects in Oman and Bahrain for the first time, a testimony of the capabilities we have accumulated to date for executing overseas projects. We also expanded our involvement in the nuclear power plant segment by winning the order for Units No. 1 and 2 at the New Uljin nuclear plant. At the same time, our Division continued to receive new orders for environmental facilities and power plants, reinforcing our stature in the domestic market.

We aim to diversify overseas by expanding our involvement in the strategically important Latin American and Asian markets in 2011. Our management and execution capabilities for overseas projects will be strengthened, as the contracts signed in 2010 are executed. Additional orders are expected for power plant and environmental projects, and new types of projects are likely to represent a larger proportion of our business portfolio. Our global operation will be expanded by reinforcing the domestic business platform while increasing our overseas presence.

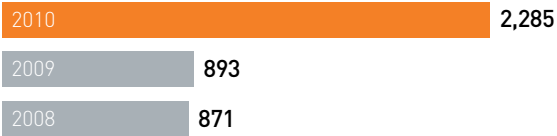
New Orders

[Unit : Billions of Won]



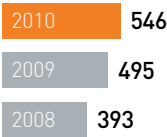
Order Backlog

[Unit : Billions of Won]



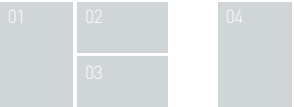
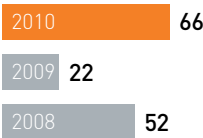
Sales Revenues

[Unit : Billions of Won]



Gross Profit

[Unit : Billions of Won]



01 Ilsan Advanced Sewage Treatment Plant

[Client] Public Procurement Service
[Location] Kyungkido, Korea
[Contract Period] Dec. 2006 ~ Dec. 2010
[Project Description]
Capacity 270,000M3/Day,
Process, Modified Ludzack-Ettinger(MLE)

02 Chungju Municipal Solid Waste Treatment Plant

[Client] Municipality of Chungju
[Location] Chungju, Korea
[Contract Period] Nov. 2007 ~ Aug. 2010
[Project Description]
Incineration plant: 100 ton/day, Stoker type

03 Yerevan Combined Cycle Power Plant

[Client] Yerevan Thermal Power
[Location] Yerevan, Armenia
[Contract Period] Jan. 2008 ~ Dec. 2010
[Project Description]
Power Capacity 205 MW
Heat Capacity 105 Gcal/hr

04 Incheon Combined Cycle Power Plant(Phase #2)

[Client] Korea Midland Power Co. Ltd.
[Location] Incheon, Korea
[Contract Period] Mar. 2007~Jun. 2009
[Project Description]
Total 500MW (Gas Turbine 160MW x 2,
Steam Turbine 180MW x 1)



TECHNOLOGY

We will create unsurpassed value by developing world-class technology products and enhancing the capability to execute key projects.



2010 Performance Summary

In 2010, the Technology Division focused on securing technologies for new and “green” growth businesses. The ongoing effort to secure world-class technology products saw tangible results in such areas as water reuse, solid waste-to-resource conversion, sea-crossing infrastructure and LNG plants. Moreover, we have developed technologies for smart grids and eco-friendlier materials. To do so, we have expanded joint R&D projects with overseas partners and attracted globally competent engineers in technology areas related to new growth businesses.

Safety management processes developed by the Division have helped to prevent accidents on the job. Noteworthy among them are the pre-project design reviews and construction risk management. Furthermore, the Value Engineering campaign and the commercialization of in-house technologies have helped GS E&C win new contracts and reduce costs.

2011 Goals and Strategies

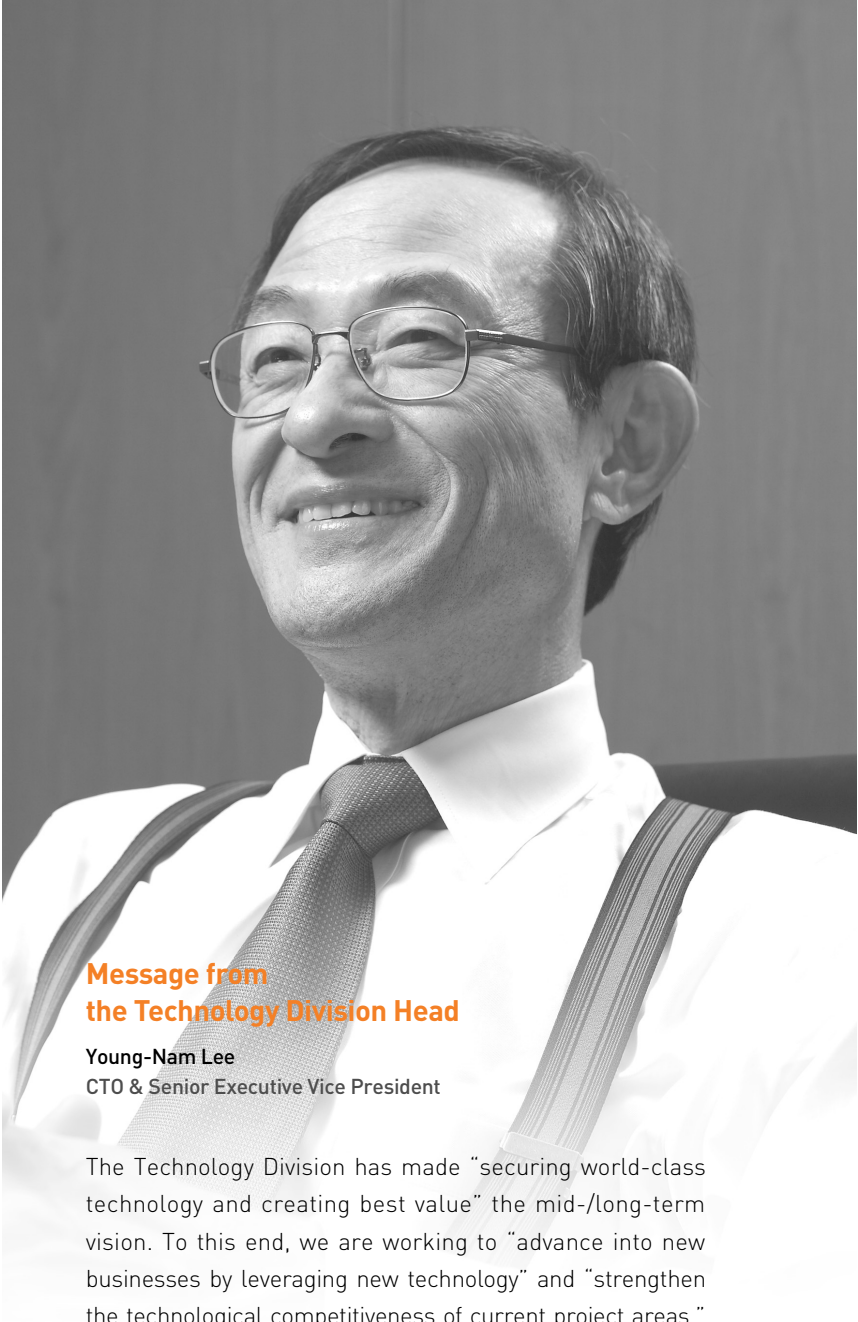
In the coming year, the Technology Division will focus on securing a foundation for GS E&C to jump into new project areas that are technology driven, obtaining the technologies necessary for future growth, and commercializing technologies for business applications. The Division will expand joint research projects with overseas partners to secure world-class technology products as quickly as possible. In addition, efforts are ongoing to identify future-oriented technologies in micro-energy grids, clean coal facilities and floating structures, while cost-reduction technologies will continue to be developed.

The Division will strengthen marketing and advertising activities to promote the commercialization of in-house technology. To this end, pilot projects will be sought for applying these technologies. Technical assistance will be expanded in the plant segment, and intensive support will be provided on non-conventional project sites. Meanwhile, the Division will cultivate technical support personnel by carrying out joint projects with outstanding engineering companies and dispatching employees there for training.

Creating the best value to acquire the world’s top-tier technologies

We continue to develop new technologies that lay the groundwork for GS E&C to advance into new, technology-driven industries and be ready for the future. At the same time, our links with the construction sites continue to strengthen.





Message from
the Technology Division Head

Young-Nam Lee
CTO & Senior Executive Vice President

The Technology Division has made “securing world-class technology and creating best value” the mid-/long-term vision. To this end, we are working to “advance into new businesses by leveraging new technology” and “strengthen the technological competitiveness of current project areas.” Our ongoing efforts to develop world-class technology products that are differentiated from competition will allow us to compete shoulder-to-shoulder with other global players. Meanwhile, we will advance into the low-carbon, green sector and identify new growth engines by leveraging our eco-friendly technologies.

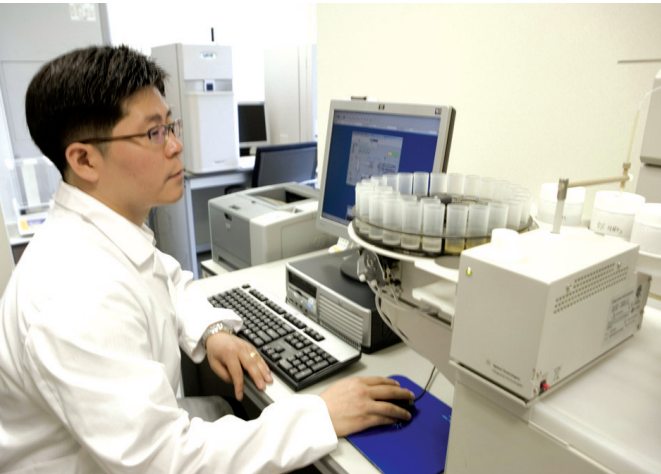
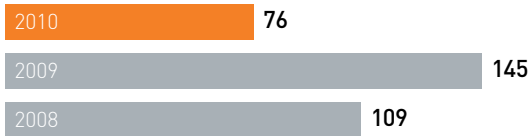
Meanwhile, we will elevate the abilities of each Division to execute both current project categories as well as new ones for the future. Our focus will also be on increasing productivity and the capability to win new orders by securing core engineering technologies, while preventing accidents on construction sites. We will remain committed to R&D activities and technology commercialization, laying the foundation for GS E&C to rise as a world-class contractor.

No. of Patents Registered



R&D Investment

[Unit : Billions of Won]



Management’s Discussion and Analysis

Construction Market

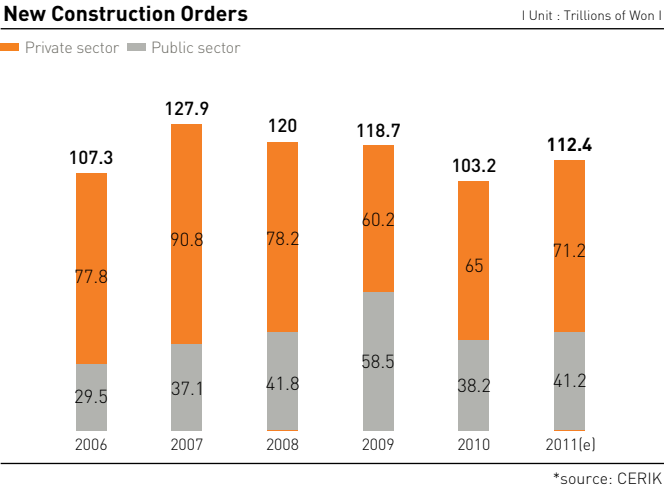
1. Domestic Construction Market

The Construction and Economy Research Institute of Korea (CERIK) reported that the volume of new orders dropped 13 percent year on year to ₩103.2 trillion in 2010. Orders in the private sector rose 7.9 percent to reach ₩65 trillion, while new government contracts fell 34.7 percent from the previous year to ₩38.2 trillion.

In 2009, the Korean government increased its budget for infrastructure investment to stimulate economic activity and front-loaded implementation, causing the financial effect to dry up in 2010. For this reason, along with the corresponding base effect, the order volume in the government sector decreased from a year earlier.

Here is a breakdown of the figures:
New government orders for civil engineering projects in 2010 were 39.8 percent lower than in 2009 because the contracts for major projects championed by the administration, notably the Four Major Rivers Restoration Plan, had already been issued. The order volume for building construction was also down 20.5 percent on the declining fiscal health of government-run corporations and local government bodies.

By contrast, the private sector was buoyed by redevelopment and reconstruction projects, enabling new orders for construction to rise 1 percent. New contracts in the civil engineering segment also surged 37.5 percent year on year with strong demand for power plants, power transmission lines and machinery installation. However, the monetary value of the new private sector projects did not reach pre-2009 levels, and the complete recovery of the new order volume in Korea’s private sector is unlikely in 2011.



New domestic orders for construction projects are forecasted to total ₩112.4 trillion in 2011, up 8.9 percent from the previous year.

The public sector will have less leeway for investing in new civil engineering projects, given the reduction in infrastructure budgets (down 3.2% YoY) as well a financial position weakened by the burdens and liabilities accompanying the spate of new orders by local governments and state-run enterprises. On the other hand, construction contracts should rise with greater demand for offices to accommodate government ministries and agencies relocating to the so-called “ubiquitous cities” and multi-functional administrative city (Sejoing City) outside the capital region. On balance, the volume of orders from the Korean government is projected to be 7.8 percent higher in 2011 than it was in 2010.

Moreover, new private sector contracts are expected to increase 9.5 percent year on year. This growth is attributed to a rising volume of new home presales, spurred by improved economic conditions, and large-scale corporate investments in new facilities. Importantly, the actual volume of new construction orders in Korea in 2011 could differ significantly from the forecasted figures. Many of the large development projects currently under consideration are being reviewed and delayed because local governments and state-run enterprises have weakened financially. Some of these projects are likely to be downsized or cancelled altogether.

2. Housing Market

The rise in domestic housing prices began to slow in the second half of 2009, and in 2010 they actually fell in most areas of the country, except for in Busan and some other major cities. However, the rate of housing price drop showed signs of decline in the second half of 2010, and the movement in prices neared a standstill, indicating that the market had bottomed out. At the same time, the chonseil (lump sum deposit) requirements when renting a home have begun to rise in Korea, which means the potential for volatility in housing prices is unavoidable.

Housing prices in 2010 showed an overall pattern of fluctuation regardless of home type, but differences in this pattern were seen depending on home size. Prices for small and medium-sized units varied widely, while changes in home purchase or rental demand could be felt. The average purchase price index for small homes rose 2 percent over the course of the year, while that for medium-sized homes went up 1.7 percent. By contrast, the average price index for large homes actually fell 0.7 percent during the same period, indicating a major curtailment in demand. Chonseil requirements also changed the least for large-sized homes, which means that purchase as well as rental of large homes was down significantly. This trend indicates a strong preference for small and medium-sized homes despite the steady macroeconomic recovery.

The domestic housing market was sluggish, meaning that the transaction volume remained lower than normal. However, in the second half, the number of residential purchases and rentals started to increase. The housing market recovery has recently begun to be seen in all parts of the country. This fact, coupled with expectations that the housing prices have bottomed out, are interpreted as factors that will lead to a housing market turnaround, and the outlook for Korea’s housing market has gradually improved. A survey (Real Estate 114) on consumer attitudes toward home transactions reveals that the number of people looking to conclude a presale contract on a new residence rose slightly during the third quarter of 2010.

Market factors influencing housing prices are mixed, although those driving prices up seem to outweigh those bringing prices

down. A temporary shock will be felt in the market if interest rates rise faster than originally expected because of inflationary pressure or the outbreak of another financial crisis in Europe. In this event, however, real business cycle indicators and the global economic situation should remain on track for recovery, which should affect the domestic housing market positively.

Factors also exist within the housing market that put upward pressure on prices. A supply shortage is driving up chonseil requirements, and favorable conditions exist for the resumption of development projects in areas outside Korea’s capital region. The public also expects local government officials to keep their election promises to increase the accessibility of affordable housing in their respective jurisdictions.

Meanwhile, factors that tend to lower housing prices include a persistent backlog of unsold presale units. Another such factor is the government’s growing resolve to implement a broad-based exit strategy from the recent global financial crisis.

Conflicting opinions are voiced with regard to housing supply and demand in Korea. Private sector builders are now more restricted in their capability to supply new housing units. Financing for real estate development projects has dried up because the financial institutions have become more risk averse in the wake of the global financial crisis. From February 2009 debate has raged in Korea’s National Assembly over abolishing a government-imposed ceiling on presale prices for new residential units. The resolution of this matter remains unclear. As a result, construction companies are increasingly delaying or cancelling projects to build new high-rise, high-density residential complexes. Market watchers say that the housing supply shortage, brought on by systemic and business factors, will continue for the time being.

Meanwhile, increased housing demand, driven by higher income levels, is also limited right now. Although economic activity is recovering, the unemployment rate in Korea is going up, too. Household income is falling, while household debt is climbing. Structural factors such as higher chonseil rates and concerns over an inadequate housing supply are prompting analysts to

Management’s Discussion and Analysis

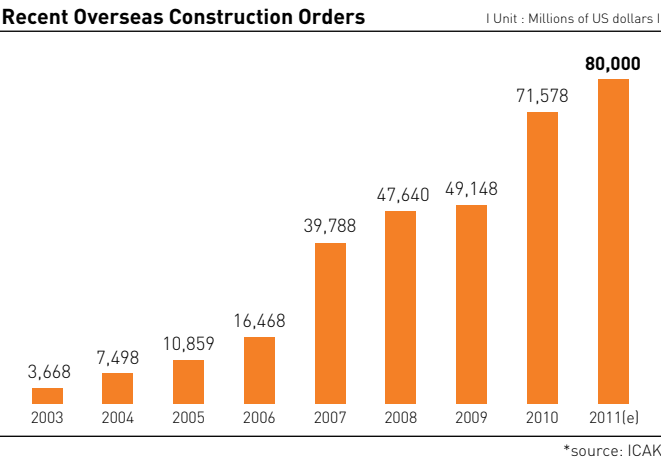
predict growing demand among prospective presale home buyers, who anticipate that prices will soon rise.

The already-mentioned rise in chonsei rates will spur housing purchases. Supply shortages caused by systemic and business factors are also expected to drive up housing prices in certain localities in Korea’s provincial areas. However, private sector construction companies lack the incentives to build new housing on a large scale. Therefore they are expected to participate selectively in new projects, focusing on public housing with outstanding site conditions as well as residential redevelopment (apartment complexes built on old private home sites), and apartment reconstruction projects in downtown areas. In sum, a rapid return to business as usual in the housing sector is unlikely.

3. Overseas Construction Market

A total of 419 Korean construction companies won overseas orders for 588 different projects, worth a total of US\$71.57 billion, in 91 countries. This all-time record was set even while the effects of the recent global financial crisis lingered on. The total was nearly 50 percent higher than the US\$49.1 billion in new orders received outside Korea during 2009. The year 2010 was significant for Korean builders for various reasons besides the record total in monetary value.

Korea’s first builder to win an overseas contract did so in September 1965. The aggregate value of overseas orders from that time reach the US\$400 billion market in 2010, after 45 years.



High oil prices since the mid-2000s and an infrastructure development boom in Asia’s emerging economies have boosted the overseas market prospects for Korean builders. Most countries around the world cut back on their new investments in the wake of the 2008 global financial crisis, but Korean companies have managed to continue winning new contracts in major countries in the Middle East, a region of focus. The total value of overseas orders received has climbed steadily as a result.

Importantly, the order value increased in numerous Asian countries, to include Singapore, India, Vietnam, Australia, Myanmar, and Turkmenistan in 2010. The total for new orders in Asia neared US\$20 billion for the year, and this region promises strong growth opportunities going forward.

Korea’s engagement in construction projects outside the country contributed greatly to the domestic economy as well as to the advancement of the domestic construction industry. The economy faced difficulties during the two oil shocks of the 1970s (one in 1973 and the other in 1979), but income from overseas construction helped to soften the effects and provided a platform for rapid economic advancement. Korean companies worked alongside those from the most advanced nations, and they came home with advanced technology and management systems.

Overseas construction remains critically important today as a driver of economic growth in Korea. Record new order volumes have been achieved since the end of 2008, despite the onset of a global financial crisis. This business provided much of the strength that enabled Korea to recover from the crisis ahead of all other OECD member nations. Annual revenue from overseas construction has surpassed that earned outside the country from shipbuilding, automobiles or semiconductors.

However, problems with portfolio imbalance remain. New orders received broke the record in 2010, but involvement in the Latin American and African markets is still very weak. In addition, some 80 percent of all orders are for plant projects. Industry experts repeatedly mention the need to improve the project financing system, which lags behind the world’s best, and to increase support to small and medium-sized builders

that want to expand into overseas markets. New overseas orders received climbed to US\$71.57 billion in 2010, up 46 percent from the year before, and the Middle East represented US\$47.25 billion of this total. Large-scale plant projects such as the US\$18.6 billion nuclear power complex and the US\$3.4 billion Rabigh 6 power plant project in Saudi Arabia made up some two-thirds of the total in 2010, as they did the previous year. This underscores the importance of the main market segment for Korean construction companies. In terms of regional distribution, the UAE led the list at US\$25.6 billion in new orders received, followed by Saudi Arabia, with US\$10.5 billion.

New orders showed robust growth in Asia as well, and the future outlook here is bright. The totals from Vietnam, Australia and India were all over US\$3 billion in 2010, and the regional figure reached US\$18.1 billion, up 66 percent from the year before. The brisk pace of economic growth in the emerging Asian economies is expected to result in rapid expansion of the construction markets here and steady growth in orders for Korean builders.

New orders from Latin America amounted to US\$2.1 billion in 2010, three times the total reached in 2009 as the region grappled with the economic crisis. An oil sand processing facility in Canada and a semiconductor factory in the US also raised the regional total for North America significantly year on year.

The amount of overseas orders received has seen robust growth since the mid-2000s and the trend is forecasted to continue in 2011. High oil prices will continue through the year, which means a steady stream of new orders for gas processing plants, power plants and other industrial facilities in oil-producing nations. Solid economic recovery is seen for Asia and Latin America as well. Therefore, new orders from overseas are likely to break the US\$80 billion mark for the first time.

The Middle East represents Korea’s primary overseas construction market, so the performance of new orders received outside Korea is closely tied to the movement in international oil prices. When oil prices are high, revenue rises for Middle Eastern oil producing nations, which then issue more orders for plants and

various kinds of infrastructure. Korean builders then are recipients of more work in the region.

Currently the international oil price is over US\$90 per barrel and the price is most likely to remain high throughout 2011. This means than many orders for new plants and infrastructure are forthcoming from countries like the UAE and Saudi Arabia. In addition, construction activity is expected to recover fully in Asia, and new orders are forecasted to be strong. Korean builders are also busy marketing their services in Latin America and Africa, which could translate into higher totals for the year.

Summary of Operations

New Orders

The value of new orders received by GS E&C in 2010 reached ₩14.1 trillion, which was 9.6 percent higher than the figure posted a year earlier. The domestic real estate market began to slow from 2008 and global business activity remained sluggish because of the residual effects of the global financial crisis. However, GS E&C saw new orders continue to grow on the back of industrial plants and power generation plants overseas as well as buildings for GS group affiliates.

The order backlog at year’s end, including ₩11.1 trillion in provisional contracts for housing projects, totaled ₩44.9 trillion, enough work to keep the company operating at full capacity for the next five years. Importantly the value of new power and environment plant orders in the Middle East rose 278 percent year on year, while new orders received for buildings on behalf of GS group affiliates were 71 percent higher in 2010 than they were a year earlier. New projects overseas totaled ₩6.4 trillion, slightly lower than the ₩6.5 trillion posted in 2009 but much higher than the average annual figure over the past five years. The total consists of the usual new orders for oil refineries and gas processing plants in the Middle East, as well as for orders in some new regions and project types: an oil sands processing plant in Canada, fertilizer plant in Australia, and a wastewater treatment plant in Bahrain.

Management’s Discussion and Analysis

The confident showing in 2010 will help to provide momentum in the coming year. The company plans to receive new orders totaling ₩16.2 trillion by pursuing a balanced approach to growth and profitability.

Sales Revenue

Sales rose 7 percent to more than ₩7.89 trillion in 2010, surpassing the target of ₩7.58 trillion set at the start of the year. This strong showing amid lackluster construction activity in general can be attributed to a balanced portfolio that spans six sectors: civil engineering, industrial plants, office buildings, housing, power plants and environmental facilities.

Breaking down the sales total by division, the Architecture Business Division recorded ₩1.44 trillion, up 22 percent from the previous year thanks to a surge in new orders received in 2009. The Plant Business Division saw sales rise 10 percent year on year to ₩2.56 trillion, as the domestic HOU project and overseas plant projects proceeded on schedule. New orders for the Civil Engineering Business Division were down in 2010, but sales rose 29 percent from the previous year to surpass ₩1.07 trillion as work on the government’s Four Rivers Restoration Project and large-scale subcontracted work continued smoothly.

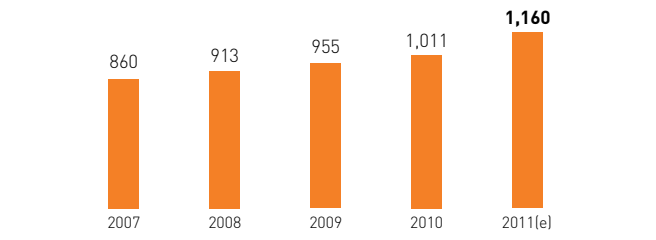
Profits

Gross Profit

Gross profit rose 6 percent, from ₩955 billion in 2009 to ₩1.01 trillion in 2010, but the gross margin dipped 0.1 percentage points, from 12.9 percent to 12.8 percent, over the same period. The decline in profitability is temporary as profit is conservatively calculated for plant projects that are in their early stages of execution. On the other hand the cost-to-sales ratio for completed projects by the Civil Engineering, Architecture and Power Divisions greatly improved their figures over 2009. Looking forward to 2011, improving profitability will not be easy, but it should remain about the same as it was in 2010.

Gross Profit

[Unit : Billions of Won]

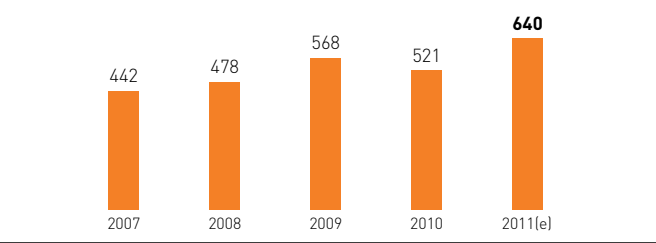


Operating Profit

Operating profit reached ₩521 billion in 2010, down 8 percent from 2009. One reason for the lower figure is the increase in selling, general and administrative expenses (SG&A) resulting from bids lost amid excessive competition as the overall construction industry struggled. Another cause was that the allowance for bad debt was set to cover the risk related to unsold apartments. Finally, salaries and commissions paid were both higher in 2010 than they were a year earlier. The operating profit target for 2011 has been set at ₩640 billion, based on the new Korean International Financial Reporting Standards (K-IFRS), assuming that the constant emphasis on fiscal soundness will lead to cuts in operating costs and other expenses.

Operating Profit

[Unit : Billions of Won]



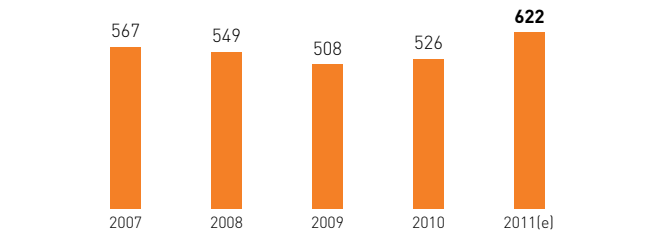
Ordinary Profit

Ordinary profit rose 4 percent, from ₩508 billion in 2009 to ₩526 billion in 2010. In non-operating expenses, a much lower allowance was set in 2010 than in 2009 for bad debt related to project finance projects for which construction work has not started but land prices are expected to fall. In addition, the strong Korean Won generated some gains on foreign currency transactions. In addition gain on valuation using equity method

of accounting and other income were higher in 2010 than they were the previous year. Ordinary profit in 2011 is expected to reach ₩622 billion, reflecting gains from the sales of equity shares as well as the allowance for bad debt to cover additional project finance projects that cannot start construction work.

Ordinary Profit

[Unit : Billions of Won]



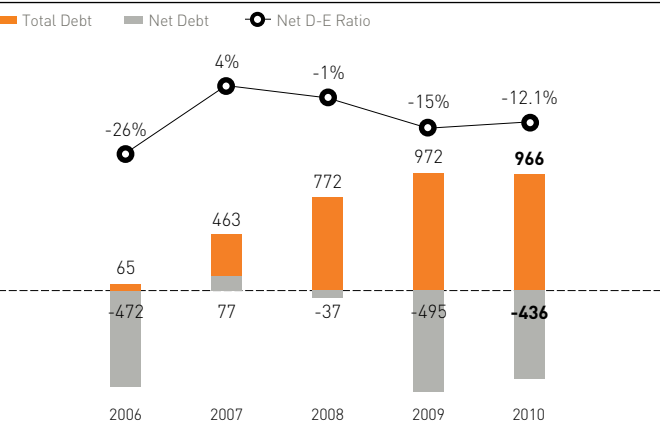
Financial Position

Borrowings

Borrowings at the end of 2010 totaled ₩966 billion, down slightly from the ₩972 billion figure posted a year earlier.

Borrowings

[Unit : Billions of Won]

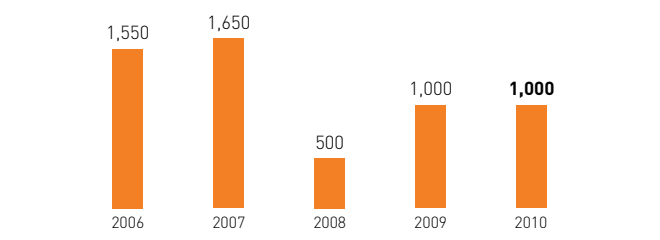


Dividends & Investments

The dividend per share was set at ₩1,000 in 2009 and remained ₩1,000 for 2010. Therefore, the total dividend payout also remained ₩49 billion. After distributing some profits in the form of dividends, the company will invest most of the retained earnings to elevate shareholders’ future value.

Dividends & Investments

[Unit : Won]



Cash flow

At the end of 2010, cash & cash equivalents stood at ₩1.4 trillion, down 4.7 percent from a year earlier. The changes in cash flow are detailed by activity type as follows:

First, cash flow from operations totaled ₩202 billion. Contributing factors included ₩407 billion in net profit, ₩298 billion in non-cash income and expenses, and minus ₩503 billion in cash inflow resulting from changes in operating assets and liabilities.

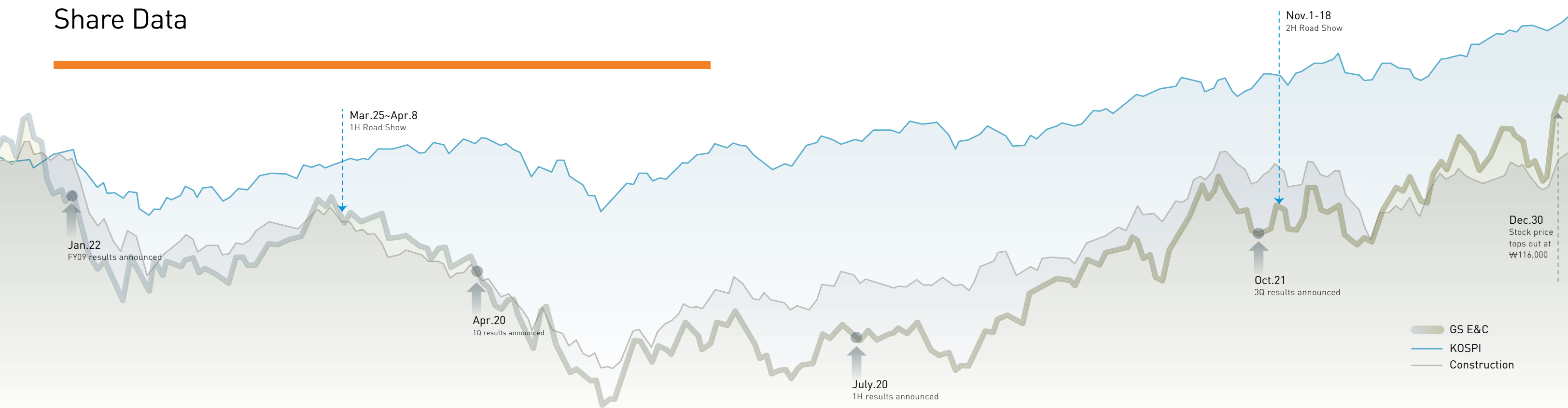
Second, cash flow from investment activities generated a cash outflow of ₩198 billion. These activities included investments for future development projects and land purchases for in-house projects.

Third, financing activities generated a cash outflow of ₩72 billion during the year. Specifically, inflow and outflow from short-term borrowings resulted in a ₩312 billion cash increase, while ₩49 billion was paid out in dividends.

Equity

As of December 31, 2009, the company had 51 million outstanding shares of common stock; no preferred stocks, convertible bonds or bonds with warrant have been issued. Chairman Chang-Soo Huh and other members of the Huh family are the major shareholders, with 30.48% of the total shares issued. An additional 2.98% are in the form of treasury stock or part of the employee stock sharing program. At year’s end, foreign investors owned 45.47% of the total shares issued.

Share Data



The Stock Market

Korea's benchmark index KOSPI rose 21 percent during 2010. In the first half of the year, Korean companies posted record profits, yet the domestic stock market remained in place with a sharp drop in Chinese stocks and Southern Europe's fiscal crisis. However, in the second half, the KOSPI turned bullish as the US economic indicators improved and the Euro regained stability. The year ended with foreigners' net-buying surpassing ₩21 trillion.

Of course, some new concerns were felt in the stock market as well during 2010. These include whether the Chinese economy could manage a soft landing as the global economy begins its full-blown recovery; probability of expanded stock market volatility in the wake of exit strategy implementation such as raising interest rates; and the possible influence of the global liquidity expansion caused by the weak Dollar to the Korean stock market.

Considering developments in 2010 and lingering concerns, many brokerage firms expect the Korean stock market will be weak in the first half of 2011 and start to rally in the second half. Anticipated risk factors include: (1) less liquidity due to global austerity measures such as China's rising interest rates, (2) the possibility of another European fiscal crisis, and (3) delayed economic recovery in the US. Positive factors expected to be seen in the second half include: (1) a strong global economic recovery led by the US (2) upward revaluation of assets with lower related risks, and (3) fiscal policy easing by the Chinese government.

To sum up, volatility is likely in the first half of 2011, due to China's austerity measures and European fiscal crisis, while a rally is expected to begin in the second half, as the global economic recovery picks up momentum. Despite some adjustments, the upward trend is likely to persist because of low possibility of a double dip in the global economy and lowered systemic risks in the financial market.

Construction Stocks

The prices of Korean construction shares dropped more sharply than the KOSPI average because of concerns over China's implementing the exit strategy in the first half of 2010, the fear over Dubai's default on its sovereign debt, and the failure of Korean builders to win sufficient new orders for overseas projects. However, in the second half, the disparity in construction stock prices against the KOSPI average narrowed on stronger momentum for winning overseas contracts and lower risks as expectations for a housing market recovery rose.

Construction shares fell more than other categories in the Korean stock market because of apprehensions over construction industry growth. The lucrative housing segment faced concerns over a void in sales, as the presale of new units remained slowed from 2009. The overseas segment, which had enjoyed lucrative profits, saw worries about lower profitability from fiercer competition among constructors. In short, market watchers were worried about slow growth and lowered profitability for the construction industry as a whole.

In 2011, however, the presale of new residential units is expected to rebound rapidly on expectations of economic recovery. Overseas, competition will ease with an increase in new order volume, which will allow momentum for profitable growth to build quickly. In addition, global economic activity should turn around from 2011, prompting major corporations to raise their investment in new facilities. This, in turn, will prompt an increase in new orders within Korea's private sector. Thus the outlook for construction company stocks is positive for the year.

GS Engineering & Construction

The price for GS E&C shares closed at ₩116,000 on December 31, 2010, which is seven percent higher than the 2009 figure of ₩108,500. GS E&C stock posted a twelve-percent underperformance compared with the KOSPI average, but outperformed other construction shares by eight percent. The foreign ratio of shareholding, which was 50.5 percent at the beginning of 2010, dipped to 45.47 percent at year's end.

Mitigated worries over the housing sector were the primary reason behind the stock price rise. The housing sector had been the greatest risk factor for GS E&C, as market watchers were concerned whether the company could recover the expenses from building new apartment complexes. The completion dates for apartment projects were pushed back from the second half of 2009 to 2010. However,

the residential presales market rebounded, and the volume of unsold units dropped significantly, alleviating construction cost concerns.

Worries were also felt over the company's meeting its 2010 target for new orders overseas because performance was weak in the first half. However, GS E&C then won the contracts for the Collie Urea project in Australia, a gas pipeline project in the UAE and a power plant project in Oman, combined to be worth over ₩6.4 trillion. In 2010, GS E&C strengthened its global stature by diversifying the portfolio by geographical region and project type.

The solid domestic performance and strong advance overseas allowed the stock price to rise eight percent from the beginning of 2010 to year's end. The share price is expected to rise in 2011, as the company aims to achieve solid growth based on the management directive of "striking a balance between growth and value."

The IR Team at GE E&C held two overseas roadshows and four domestic roadshows, participated in seven conferences inside and outside Korea, and organized quarterly conference calls in 2010. A total of 532 one-on-one meetings were held. Internally, the IR Committee convened quarterly to convey investors' views to top management and share market trends and issues.

In 2011, GS E&C intends to establish itself as having the top IR program among Korean construction companies. Proactive IR activities are in store.

Company Milestones

GS E&C operates confidently as a global player in cultivating growth engines for the future. Internally we work with engineers from various countries, and our current overseas projects span fifteen nations.

1969~1979	1990~1989	1990~1999	2000~2004	2005~2008	2009~2010
1969 Lackhee Development Co., Ltd. (the Company's predecessor) established 1975 Company name changed to Lucky Development Co., Ltd. 1977 Lucky International Construction Co., Ltd. established 1979 Lucky International Construction Co., Ltd. merged into Lucky Development Co., Ltd. The Company designated a housing contractor by the Ministry of Construction	1981 Initial public offering issued 1983 Lucky Development (Arabia) Co., Ltd. established 1984 Company received Korean government's export award for winning US\$1 billion in international contracts Lucky Development International Inc. established in the US 1989 Lucky Development Inc. established in Saipan 21st Century Vision adopted for becoming a best all round developer in the domestic market and a general construction company globally	1991 Construction license acquired for Japan Medal of Industrial Service awarded on Tax Day Company 20 Year Almanac published 1993 American Society of Mechanical Engineers accredited the Company in construction of nuclear power plant Lucky Thai Engineering & Construction Co., Ltd. established in Bangkok 1994 ISO 9001 quality management certificate acquired 1995 Company name changed to LG Construction Co., Ltd. "The Year of New Construction Era" announced 1996 ISO 14001 environmental management certificate acquired 1998 Soo-Kee Min appointed the Company's 9th President & CEO LG-HP Sunflower International Village awarded by Haiphong People's Committee in Vietnam 1999 LG Engineering Co., Ltd. merged into LG Construction Co., Ltd. Grand prize received as the Superior Company and the Best Apartment by Women Consumer Survey	2000 Construction of the West Sea Grand Bridge completed 2001 Best Corporate Governance Award received by the Korea Stock Exchange LG apartment chosen Hit Apartment Product in the 2nd half of 2001 by the Korea Daily News Outstanding Corporate PR Award received in the World Advertisement Awards 2002 Silver Industrial Medal received on Tax Day Kap-Ryul Kim appointed the Company's 10th President & CEO Good Corporate Governance Award received by the Korea Stock Exchange LG E&C's new apartment brand identity "Xi (eXtra intelligent)" introduced 2003 Vision 2010 announced US\$ 1.6 billion South Pars 9 & 10 gas treatment project awarded in Iran Grand prize received in the cyber IR field at the 5th Korea Economic Daily IR Awards, and in the construction and cement fields at the 1st Money Today IR Awards Charter for Corporate Governance enacted 2004 Environmental Management Grand Prize received in Construction Industry category Good Corporate Governance Award received from Korea Stock Exchange Grand prize received in the cyber IR field at the 6th Korea Economic Daily IR Awards, and in the construction and cement fields at the 2nd Money Today IR Awards	2005 Changed corporate name to GS E&C Corporation Awarded a "Analyst Prize" at 7th Annual Hankyung IR Award by the Korean Economic Daily Awarded a "Best IR Prize for Construction / Cement Sector" at 3rd Moneytoday IR Award by Money Today 2006 31st in Engineering News-Record (ENR) Rankings Prizes for Best CFO, Financial Innovation CMMI Maturity Level 4 2007 Top Award at the 7th annual IR Conference Ranked 31st among Top 225 Global Contractors by <i>Engineering News Record</i> Investment grade credit ratings from both Moody's and Standard & Poor's Presidential Award for Xi Gallery in Seogyo-dong (Seoul) at Good Design Expo 2008 Vision 2015 publicly announced "Xi" wins 2008 First Brand Award, the third straight year for this honor. The W100B Taxpayers' Tower is received on the 42nd annual Taxpayers' Day. First Prize is received in the Green Management category at the 2008 Global Green Management Awards The Korea IR Award is received at the 8th annual IR Conference & Korea IR Awards	2009 President's Prize for Banpo Xi at 13th Excellent Apartment Awards First Prize in CSR category at 1st Asia Today Green Construction Awards First Prize for Customer Satisfaction Management at Global Management Awards Times Square General Contractor Prize at 5th Korea Civil Engineering & Architectural Awards "Most Trusted Company" designation at 2009 Korea's Most Admired Businesspeople & Most Respected Companies. 2010 President's Prize for Banpo Xi at 13th Excellent Apartment Awards First Prize in CSR category at 1st Asia Today Green Construction Awards First Prize for Customer Satisfaction Management at Global Management Awards Times Square General Contractor Prize at 5th Korea Civil Engineering & Architectural Awards "Most Trusted Company" designation at 2009 Korea's Most Admired Businesspeople & Most Respected Companies. First Brand Awards: "Xi" brand apartments ranked 1st for 5th year in a row Overseas construction award: top prize in the "plant" category Inclusion on DJSI World Declaration of core values for a new organizational culture "Most Respected Company" for 2nd straight year

FINANCIAL STATEMENTS

| Non-Consolidated Financial Statements

| Years ended December 31, 2010 and 2009 with independent auditors' report

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Independent auditors' report



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The Board of Directors and Stockholders GS Engineering & Construction Corporation

We have audited the accompanying non-consolidated statements of financial position of GS Engineering & Construction Corporation (the "Company") as of December 31, 2010 and 2009, and the related non-consolidated statements of income, appropriations of retained earnings, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of GS Engineering & Construction Corporation as of December 31, 2010 and 2009, and the non-consolidated results of its financial performance, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of financial performance, and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the non-consolidated financial statements are for use by those who are knowledgeable about Korean accounting principles and auditing standards and their application in practice.

February 22, 2011

This audit report is effective as of February 22, 2011, the auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying non-consolidated financial statements and may result in modifications to this report.

Non-consolidated statements of financial position

For the years ended December 31, 2010 and 2009

I Korean won in millions I				
	2010		2009	
Assets				
Current assets:				
Cash and cash equivalents (Notes 2 and 14)	₩	1,377,047	₩	1,444,743
Short-term financial instruments (Notes 2 and 4)		24,970		22,390
Trading securities (Note 5)		340,308		-
Trade accounts and notes receivable, less allowance for doubtful accounts of ₩137,953 in 2010 (₩106,538 in 2009) (Notes 14,17 and 23)		2,963,209		2,429,475
Short-term loans receivable, less allowance for doubtful accounts of ₩96,145 in 2010 (₩66,184 in 2009) (Note 14)		371,906		375,853
Pre-contract costs		282,954		265,424
Other accounts receivable, less allowance for doubtful accounts of ₩7,529 in 2010 (₩5,542 in 2009) (Notes 14 and 17)		341,496		254,453
Inventories (Notes 2, 6 and 11)		290,019		428,986
Accrued income, less allowance for doubtful accounts of ₩12,581 in 2010 (₩12,188 in 2009)		26,958		25,313
Advance payments, less allowance for doubtful accounts of ₩6,649 in 2010 (₩6,100 in 2009)		257,271		186,965
Prepaid expenses		35,916		49,204
Derivative assets (Note 30)		70,208		107,051
Firm commitment assets (Note 30)		169,614		299,818
Deferred income tax assets (Note 24)		-		4,513
Total current assets		6,551,876		5,894,188
Non-current assets:				
Long-term financial instruments (Notes 2 and 4)		26		26
Long-term investment securities (Note 7)		203,400		600,528
Equity method investments (Notes 2 and 8)		654,109		604,647
Real estate investments		35,720		48,699
Long-term loans receivable, less allowance for doubtful accounts of ₩143,586 in 2010 (₩118,421 in 2009) (Note 14)		288,575		251,730
Long-term guarantee deposits, net (Note 17)		152,573		121,903
Property, plant and equipment, net (Notes 9, 10, 11, 28 and 34)		1,449,433		1,421,696
Intangible assets, net (Notes 12 and 34)		2,511		2,838
Total non-current assets		2,786,347		3,052,067
Total assets	₩	9,338,223	₩	8,946,255

(Continued)
See accompanying notes.

I Korean won in millions I				
	2010		2009	
Liabilities and equity				
Current liabilities:				
Trade accounts and notes payable (Notes 14, 16 and 17)	₩	3,082,072	₩	3,102,733
Short-term borrowings (Notes 13 and 14)		493,897		200,240
Other accounts payable (Notes 14 and 17)		53,683		70,233
Other advances received		221,005		192,934
Withholdings (Note 14)		106,162		124,116
Guarantee deposits received		7,303		7,132
Accrued expenses		123,718		29,489
Income taxes payable (Note 24)		120,060		59,804
Dividends payable		17		18
Current portion of debentures, less discount of ₩445 in 2010 (₩95 in 2009) (Note 13)		161,255		149,905
Derivative liabilities (Note 30)		155,969		211,926
Firm commitment liabilities (Note 30)		27,670		40,212
Unearned revenue		5,160		5,398
Deferred income tax liabilities (Note 24)		29,530		-
Total current liabilities		4,587,501		4,194,140
Non-current liabilities:				
Debentures, less discount of ₩1,081 in 2010 (₩1,619 in 2009) (Notes 13 and 14)		298,919		610,361
Long-term borrowings (Note 13)		11,940		11,940
Severance and retirement benefits		45,519		46,013
Leasehold guarantee deposits received (Note 17)		134,693		135,410
Membership guarantee deposits received (Note 17)		305,731		339,792
Provision for construction losses (Notes 2 and 23)		94,656		15,822
Provision for construction warranty (Note 2)		96,211		62,018
Deferred income tax liabilities (Note 24)		25,904		104,679
Other deposits withholdings		1,777		243
Other provisions (Note 15)		149,587		126,826
Total non-current liabilities		1,164,937		1,453,104
Total liabilities		5,752,438		5,647,244
Equity:				
Capital stock (Note 18)		255,000		255,000
Capital surplus (Note 20)		239,635		239,268
Equity adjustments (Notes 19 and 20)		(87,026)		(86,233)
Accumulated other comprehensive income (Notes 7, 10, 22, 24, 30 and 37)		679,634		750,226
Retained earnings (Note 21)		2,498,542		2,140,750
Total equity		3,585,785		3,299,011
Total liabilities and equity	₩	9,338,223	₩	8,946,255

See accompanying notes.

Non-consolidated statements of income

As of December 31, 2010 and 2009

I Korean won in millions, except per share amounts I				
	2010		2009	
Revenues (Notes 17, 23 and 34)				
Construction operations	₩	7,574,152	₩	7,061,206
Housing construction and sales operations		236,555		256,797
Other operations		82,056		58,922
		7,892,763		7,376,925
Cost of sales (Notes 17 and 23)				
Construction operations		6,606,322		6,128,699
Housing construction and sales operations		196,315		221,539
Other operations		79,593		71,742
		6,882,230		6,421,980
Gross profit		1,010,533		954,945
Selling and administrative expenses		489,846		387,019
Operating income (Note 34)		520,687		567,926
Other income (expenses):				
Interest income		50,479		71,671
Interest expense (Note 11)		(60,425)		(56,862)
Dividend income		454		873
Gain (loss) on foreign currency transactions, net		23,452		(61,846)
Gain (loss) on foreign currency translation, net (Note 14)		4,907		(7,773)
Equity in earnings of equity method investments, net (Note 8)		29,095		21,925
Gain (loss) on disposal of equity method investments, net		(2,656)		10,291
Gain on disposal of long-term investment securities		9,128		51,501
Loss on disposal of long-term investment securities		(1,546)		-
Gain on disposal of real estate investments		16		-
Loss on disposal of real estate investments		(1,173)		(2,319)
Impairment loss on long-term investment securities		(13,700)		-
Reversal of impairment loss on long-term investment securities		13,040		3,756
Gain (loss) on disposal of property, plant and equipment, net		1,825		(9,711)
Gain on settlement of derivative instruments, net (Note 30)		11,964		27,314
Gain on valuation of derivative instruments, net (Note 30)		33,321		13,329
Loss on valuation of firm commitment, net (Note 30)		(60,820)		(51,822)
Donations (Note 31)		(3,240)		(5,230)
Others, net		(29,604)		(64,822)
		4,517		(59,725)
Income before income taxes		525,204		508,201
Provision for income taxes (Note 24)		117,933		125,400
Net income	₩	407,271	₩	382,801
Basic earings per share (Notes 2 and 25)	₩	8,231	₩	7,737

See accompanying notes.

Non-consolidated statements of appropriations of retained earnings

For the years ended December 31, 2010 and 2009

I Korean won in millions I			
	2010		2009
Retained earnings before appropriations:			
Unappropriated retained earnings carried forward from the prior year	₩	930	₩ 1,275
Net income		407,271	382,801
		408,201	384,076
Transfer from other reserves:			
Research and human resources development reserve (Note 21)		3,333	3,333
Appropriations (2010-proposed):			
Legal reserve (Note 21)		5,000	5,000
Business rationalization reserve (Note 21)		90,000	90,000
Financial structure improvement reserve (Note 21)		65,000	65,000
Research and human resources development reserve (Note 21)		90,000	90,000
Other reserves (Note 21)		110,000	87,000
Cash dividends (Note 26)		49,479	49,479
		409,479	386,479
Unappropriated retained earnings to be carried forward to the next year	₩	2,055	₩ 930

See accompanying notes.

Statements of changes in equity

For the years ended December 31, 2010 and 2009

I Korean won in millions I						
	Capital stock	Capital surplus	Equity adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2009	₩ 255,000	₩ 236,767	₩ (81,881)	₩ 842,423	₩ 1,782,689	₩ 3,034,998
Dividends	-	-	-	-	(24,739)	(24,739)
Repurchase of treasury stock	-	-	(3,297)	-	-	(3,297)
Disposal of treasury stock	-	2,501	-	-	-	2,501
Changes in debit capital adjustments in equity method	-	-	(1,055)	-	-	(1,055)
Gain on valuation of available-for-sale securities	-	-	-	743	-	743
Loss on valuation of available-for-sale securities	-	-	-	1,171	-	1,171
Foreign currency translation adjustments	-	-	-	1,317	-	1,317
Gain on valuation of derivatives instruments	-	-	-	(770)	-	(770)
Loss on valuation of derivatives instruments	-	-	-	(12,484)	-	(12,484)
Changes in equity adjustment in equity method	-	-	-	(81,704)	-	(81,704)
Transfer of asset revaluation surplus arising from disposal of land	-	-	-	(470)	-	(470)
Net income	-	-	-	-	382,800	382,800
As of December 31, 2009	₩ 255,000	₩ 239,268	₩ (86,233)	₩ 750,226	₩ 2,140,750	₩ 3,299,011

(Continued)
See accompanying notes.

I Korean won in millions I						
	Capital stock	Capital surplus	Equity adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2010	₩ 255,000	₩ 239,268	₩ (86,233)	₩ 750,226	₩ 2,140,750	₩ 3,299,011
Dividends	-	-	-	-	(49,479)	(49,479)
Repurchase of treasury stock	-	-	-	-	-	-
Disposal of treasury stock	-	367	(450)	-	-	(83)
Changes in capital surplus in equity method	-	-	-	-	-	-
Changes in debit capital adjustments in equity method	-	-	(343)	-	-	(343)
Gain on valuation of available-for-sale securities	-	-	-	(38,604)	-	(38,604)
Loss on valuation of available-for-sale securities	-	-	-	(5,548)	-	(5,548)
Foreign currency translation adjustments	-	-	-	(9,487)	-	(9,487)
Gain on valuation of derivatives instruments	-	-	-	1,532	-	1,532
Loss on valuation of derivatives instruments	-	-	-	(11,713)	-	(11,713)
Changes in equity adjustment in equity method	-	-	-	(3,554)	-	(3,554)
Asset revaluation surplus	-	-	-	(3,218)	-	(3,218)
Net income	-	-	-	-	407,271	407,271
As of December 31, 2010	₩ 255,000	₩ 239,635	₩ (87,026)	₩ 679,634	₩ 2,498,542	₩ 3,585,785

See accompanying notes.

Non-consolidated statements of cash flows

For the years ended December 31, 2010 and 2009

I Korean won in millions I				
	2010		2009	
Cash flows from operating activities:				
Net income	₩	407,271	₩	382,801
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for severance and retirement benefits		43,732		41,769
Depreciation of property, plant and equipment		27,422		27,682
Bad debt expense		31,441		2,338
Provision for construction warranty		70,221		8,540
Reversal for construction warranty		(10,871)		(2,710)
Provision for construction losses		97,742		19,247
Reversal for construction losses		(18,908)		(9,788)
Amortization of intangible assets		327		330
Gain on disposal of long-term investment securities, net		(6,922)		(51,501)
Loss (gain) on disposal of property, plant and equipment, net		(1,825)		9,711
Loss (gain) on foreign currency translation, net		(11,360)		320
Equity in earnings of equity method investments, net		(29,095)		(21,924)
Loss (gain) on disposal of equity method investments, net		2,656		(10,291)
Gain on valuation of derivative instruments, net		(33,321)		(13,329)
Loss on valuation of firm commitment, net		60,820		51,822
Amortization of foreign currency translation adjustments, net		(5,518)		2,679
Others, net		81,825		108,705
Changes in operating assets and liabilities:				
Trade accounts and notes receivable		(589,778)		(331,660)
Pre-contract costs		(17,989)		(64,975)
Other accounts receivable		(89,287)		(82,040)
Accrued income		(2,866)		(20,861)
Inventories		138,935		28,828
Advance payments		(130,618)		(23,287)
Prepaid expenses		13,229		(15,129)
Derivative assets		127,094		98,511
Derivative liabilities		(125,940)		(328,113)
Trade accounts and notes payable		(17,529)		555,326
Accrued expenses		101,082		(9,303)
Income taxes payable		85,533		(138,655)
Payment of severance and retirement benefits		(45,084)		(48,698)
Provision for construction warranty		(25,159)		(14,417)
Others, net		75,194		398,725
Total adjustments		(204,817)		167,852
Net cash provided by operating activities	₩	202,454	₩	550,653

See accompanying notes.

I Korean won in millions I				
	2010		2009	
Cash flows from investing activities:				
Decrease (increase) in short-term fianacial instruments, net	₩	(2,582)	₩	27,344
Proceeds from disposal of long-term investment securities		41,920		82,486
Proceeds from disposal of equity method investments		20,965		58,559
Decrease (increase) in short-term loans receivable, net		3,804		(54,828)
Increase in long-term loans receivable, net		(97,426)		(120,509)
Payment of long-term guarantee deposits		(92,668)		(69,489)
Proceeds from guarantee deposits		62,000		46,641
Acquisition of long-term investment securities		(33,693)		(69,106)
Acquisition of equity method investments		(40,381)		(8,943)
Acquisition of real estate investments		(2,040)		-
Proceeds from disposal of real estate investments		-		6,453
Proceeds from disposal of property, plant and equipment		12,500		8,411
Acquisition of property, plant and equipment		(70,075)		(18,085)
Net cash used in investing activities		(197,676)		(111,066)
Cash flows from financing activities:				
Proceeds from issuance of debentures		198,997		298,906
Decrease (increase) in membership guarantee deposits received, net		(34,062)		3,634
Proceeds from short-term borrowings		862,679		754,368
Repayment of short-term borrowings		(550,332)		(774,008)
Redemption of current portion of debentures		(500,280)		(12,670)
Payment of dividends to stockholders		(49,476)		(24,743)
Net cash provided by (used in) financing activities		(72,474)		245,487
Net increase (decrease) in cash and cash equivalents		(67,696)		685,074
Cash and cash equivalents at the beginning of the year		1,444,743		759,669
Cash and cash equivalents at the end of the year	₩	1,377,047	₩	1,444,743

See accompanying notes.

Notes to the non-consolidated financial statements

December 31, 2010 and 2009

1. Corporate information

GS Engineering & Construction Corporation (the Company) was incorporated on December 19, 1969 under the laws of the Republic of Korea to provide engineering and construction services, on-site building maintenance, as well as residential and industrial construction services within Korea and abroad. The Company merged with Lucky Foreign Construction Co., Ltd., on January 4, 1979, LG Engineering Co., Ltd., on August 1, 1999 and Baekyang Development Co., Ltd., on October 1, 2000. Subsequent to the mergers, the Company expanded its business activities to include overseas engineering construction, golf course development and other related construction services. In August 1981, the Company listed its shares on the Korea Exchange (KRX). The Company was formerly operating under the name of Lucky Development Co., Ltd. and changed its name to LG Engineering & Construction Co., Ltd. on February 24, 1995. The Company changed its name to GS Engineering & Construction Corporation from LG Engineering & Construction Corporation by virtue of a resolution of the common stockholders' meeting held on March 18, 2005. The Company then became an affiliate of the GS group of companies on April 4, 2005, subject to the Limitation on Mutual Investment Rule set forth by the Fair Trade Commission.

As of December 31, 2010, the Company maintains overseas business operations in United Arab Emirates, Oman, Canada, China, Singapore and other countries.

As of December 31, 2010, the capital stock of the Company amounts to ₩255,000 million subsequent to several paid-in capital increases during the prior years including ₩91,954 million of common stock issued (11,789 thousand shares of common stock issued at ₩7,800 per share) on November 19, 1999.

The financial statements of the Company for the year ended December 31, 2010 were approved by the Board of Directors on February 22, 2011.

2. Summary of significant accounting policies

Basis of financial statement preparation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea (Korean GAAP). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. In the event of any differences in interpreting the financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the Republic of Korea, including Statements of Korea Accounting Standards (SKAS) 1 to 23, and the summary of significant account policies used for the preparation of the financial statements are as follows:

Revenue recognition

Revenue for construction contracts is recognized using the percentage-of-completion method, under which revenue is recognized as work progresses in the ratio of actual costs incurred to estimated total costs. Revenue, for which the Company constructs and sells residential or commercial properties, is recognized using the percentage-of-completion method starting after the sales contracts are made. The estimation of total construction costs is made by a systematic, reasonable and consistent method and the Company reflects information newly

obtained during the course of its construction activities.

Cash equivalents

Highly liquid deposits and marketable securities with original maturities of three months or less, and which have no significant risk of loss in value by interest rate fluctuations, are considered as cash equivalents.

Financial instruments

Financial instruments, such as time deposits and restricted bank deposits, which are traded by financial institutions and are held for short-term cash management purposes or which will mature within one year, are accounted for as short-term financial instruments. Financial instruments other than cash equivalents and short-term financial instruments are recorded as long-term financial instruments.

Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts in consideration of the estimated losses that may arise from non-collection of its receivables. The estimate of losses, if any, is based on a review of the aging and current status of the outstanding receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the gross average method for raw materials and stored goods, and the specific identification method for other inventories. A perpetual inventory system is used to record inventories, in which inventories are adjusted to physical inventory counts that are performed at the end of the year.

When a decline in the value of an inventory indicates that its cost exceeds net realizable value, a valuation loss will be recognized to write the inventory down to its net realizable value. The loss on valuation is recognized in cost of sales. When the circumstances that previously caused the inventories to be written down cease to exist or there is an increase in net realizable value, the amount of the write-down is reversed to the extent of the original write-down amount so that the new carrying amount is the lower of cost and the revised net realizable value.

Borrowing costs directly attributable to the acquisition, construction or production of inventories that necessarily takes more than a year to get ready for their intended use or sale are capitalized as part of the cost of the respective assets.

Investments in securities

Investments in securities within the scope of SKAS 8 Investments in Securities are classified as either trading, held-to-maturity and available-for-sale securities, as appropriate, and are initially measured at cost, including incidental expenses, with cost being determined using the moving average method. The Company determines the classification of its investments after initial recognition, and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Securities that are acquired and held principally for the purpose of selling them in the near term are classified as trading securities. Debt securities which carry fixed or determinable payments and fixed maturity are classified as held-to-maturity if the Company has the positive intention and ability to hold to maturity. Securities that are not classified as either trading or held-to-maturity are classified as available-for-sale securities.

After initial measurement, available-for-sale securities are measured at fair value with unrealized gains or losses being recognized directly in equity as other comprehensive income. Likewise, trading securities are also measured at fair value after initial measurement, but with unrealized gains or losses reported as part of net income. Held-to-maturity securities are measured at amortized cost after initial measurement. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount.

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The fair value of trading and available-for-sale securities that are traded actively in the open market (marketable securities) is measured at the closing price of those securities at the end of the reporting period. Non-marketable equity securities are measured at cost subsequent to initial measurement if their fair values cannot be reliably estimated. Non-marketable debt securities are carried at a value using the present value of future cash flows discounted using an appropriate interest rate which reflects the issuer’s credit rating announced by a public independent credit rating agency. If the application of such measurement method is not feasible, estimates of fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting business in similar industries.

Trading securities are classified as current assets. Available-for-sale and held-to-maturity securities are classified as long-term investments, except that securities maturing within one year or that are certain to be disposed of within one year from the end of the reporting period are classified as short-term investments.

The Company recognizes an impairment loss on its investments in securities if there is objective evidence that the securities are impaired. The impairment loss is charged to the statement of income.

Equity method investments

Investments in entities over which the Company has control or significant influence are accounted for using the equity method of accounting.

Under the equity method of accounting, the Company’s initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Company’s share of income or loss of the investee in the statement of income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Company on the statement of financial position. If the Company’s share of losses of the investee equals or exceeds its interest in the investee, it suspends recognizing its share of further losses. However, if the Company has other long-term interests in the investee, it continues recognizing its share of further losses to the extent of the carrying amount of such long-term interests.

At the date of acquisition, the excess of the cost of the investment over the Company’s share of the net fair value of the investee’s identifiable assets and liabilities is accounted for as goodwill which is amortized over its useful life of 5 years using the straight-line method. Conversely, negative goodwill represents the excess of the Company’s share in the net fair value of the investee’s identifiable assets and liabilities over the cost of the investment. Negative goodwill is recorded to the extent of the fair value of acquired non-monetary assets and recognized as income using the straight-line method over the remaining weighted-average useful life of those acquired non-monetary assets. The amount of negative goodwill in excess of the fair value of acquired non-monetary assets is recognized as income immediately.

The Company’s share in the investee’s unrealized gains and losses resulting from transactions between the Company and its investee are eliminated to the extent of the interest in the investee.

In translating the financial statements of foreign investees into Korean won, assets and liabilities are translated at the exchange rate at the end of the reporting period and income expenses are translated at the weighted-average-exchange rate for the period. All resulting exchange differences are recognized as foreign currency translation adjustments in other comprehensive income within equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except for certain assets that were revalued in accordance with the previous Korean Assets Revaluation Law and land and buildings that were revalued in accordance with the current revised SKAS 5 are stated at fair value less accumulated depreciation.

Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

Depreciation of property, plant and equipment is provided, using the straight-line method for buildings and structures and the declining-balance method for all other assets, over the estimated useful life of the assets as follows:

	Years
Buildings	40
Structures	40
Machinery	4 to 6
Construction equipment	4 to 12
Vehicles	4
Other assets	4

Land and buildings that are revalued in accordance with the revised SKAS 5 are measured at fair value less accumulated depreciation on buildings and impairment losses recognized after the date of revaluation. Valuation is performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

If an asset’s carrying amount is increased as a result of a revaluation, the increase shall be credited directly to other comprehensive income. However, the increase shall be recognized in the statement of income to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of income.

If an asset’s carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in the statement of income. However, the decrease shall be debited directly to other comprehensive income to the extent of any credit balance existing in the revaluation surplus with respect to that asset.

The Company records an impairment loss on the carrying amount of an item of property, plant and equipment when there is an indication that the asset is impaired. Impairment is measured by comparing the carrying amount of the asset with its recoverable amount. An impairment loss is charged to the statement of income immediately.

Borrowing costs directly attributable to the construction of an item of qualifying property, plant and equipment that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets.

Intangible assets

Intangible assets of the Company consist of rights for lease operations and development costs, which are stated at cost less accumulated amortization. Amortization is recognized as an expense based on the straight-line method over the estimated useful life of 20 years.

Capitalization of borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of inventories, property, plant and equipment, intangible assets and investments that necessarily takes more than a year to get ready for their intended use or sale are capitalized as part of the cost of the respective assets.

Impairment of assets

When the recoverable amount of an asset is less than its carrying amount due to obsolescence, physical damage or abrupt decline in the market value of the asset, the decline in value, if material, is deducted from the carrying amount and recognized as an asset impairment loss in the current year.

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Discount on bonds

Discount on bonds is presented as a direct deduction from the nominal value of the bonds and is amortized using the effective-interest-rate method over the life of the bonds.

Severance and retirement benefits

In accordance with the Employee Retirement Benefit Security Act (ERBSA) and the Company's employee benefits policy, employees terminating their employment with at least one year of service are entitled to severance and retirement benefits based on the rates of pay in effect at the time of termination, years of service and certain other factors. The provision is determined based on the amount that would be payable assuming all employees were to terminate their employment as of the reporting date.

The Company's severance and retirement benefits are partly funded through insurance plans with LIG Insurance Co., Ltd. and eight other financial institutions. Up to March 1999, the Company had previously prepaid a portion of its severance and retirement benefits obligation to the National Pension Service (NPS). The insurance deposits and prepayments are presented as a deduction from the provision for severance and retirement benefits. Actual payments of severance and retirement benefits amounted to ₩45,084 million and ₩48,698 million during the years ended December 31, 2010 and 2009, respectively.

Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is used only for expenditures for which the provision was originally recognized. If the effect of the time value of money is material, provisions are stated at present value.

A contingent liability is disclosed, but not recognized when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, and are classified as current or non-current, respectively, based on the classification of the related asset or liability in the statement of financial position. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Foreign currency translation

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made.

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the appropriate exchange rates at the end of the reporting period. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations. Non-monetary items that are re-measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Translation of foreign operation financial statements

Financial statements of foreign branches and foreign equity method investees (collectively "foreign operations") are maintained in the currencies of the countries in which they conduct their operations. In translating the foreign operation financial statements into Korean won,

assets and liabilities are translated at the year-end exchange rate at the date of the statement of financial position and income and expenses are translated at the average exchange rate during the year. All resulting exchange differences are recognized as foreign currency translation adjustments in other comprehensive income within equity.

Derivative financial instruments

Derivative financial instruments are presented as assets or liabilities valued principally at the fair value of the rights or obligations associated with the derivative contracts. The unrealized gain or loss from a derivative transaction with the purpose of hedging the exposure to changes in the fair value of a recognized asset or liability or unrecognized firm commitment is recognized in net income. For a derivative instrument with the purpose of hedging the exposure to the variability of cash flows of a recognized asset or liability or a forecasted transaction, the hedge-effective portion of the derivative instrument's gain or loss is deferred as other comprehensive income in equity. The ineffective portion of the gain or loss is charged or credited to net income. Derivative instruments that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting are measured at fair value with unrealized gains or losses reported in net income.

Pre-contract costs

The Company capitalizes costs incurred in connection with securing a construction order as pre-contract costs when such costs can be identified and measured reliably, and that the Company is reasonably certain that the contract will be awarded. The prepaid construction costs are expensed as part of construction costs upon the commencement of the related construction contract.

Provision for construction losses

From the commencement of the construction contract, the Company records the estimated construction losses expected to be incurred as a provision for construction losses and reflects such estimated losses in current construction costs immediately.

Provision for construction warranty

The Company records a provision for the estimated warranty costs relating to construction defects during the warranty period. Estimated warranty costs are charged to current operations at the time of completion of projects and are included in the statement of financial position as provision for construction warranty. The provision for construction warranty made will be offset against the actual amount of rectification expense incurred on the defects in subsequent period. The actual rectification expense incurred in excess of the provision made is accounted for as an expense in the current period

Per share amounts

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the year. Diluted earnings per share is calculated by dividing net income by the weighted-average number of common shares outstanding during the year plus the weighted-average number of common shares that would have been outstanding assuming the conversion of all dilutive potential common shares.

Accounting estimates

The preparation of financial statements in accordance with Korean GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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3. Impact of first-time adoption of Korea International Financial Reporting Standards (“K-IFRS”)

Preparation plan and status for first-tme adoption of K-IFRS

The Company is required to adopt K-IFRS in preparation of its financial statements for the financial period beginning January 1, 2011. Since March 2007, the Company began making preparation for K-IFRS first-time adoption and has accordingly, established a task force team (TFT) in August 2008, commissioned an external advisory service provider and has completed the identification and analysis of the major differences between K-IFRS and the current Korean GAAP. In addition, the Company has started the reconfiguration of its accounting information system based on K-IFRS in September 2009 and completed this reconfiguration in December 2010.

Details of key areas identified and their related differences between Korean GAAP and K-IFRS that are expected to give rise to significant impact on the Company’s financial statements are as follows:

	Current Accounting Standards	K-IFRS
Primary financial statements	- Non-consolidated financial statements	-Consolidated financial statements
Presentation of financial statements	- Statement of financial position, statements of income, statements of appropriations of retained earnings, statements of changes in equity, statements of cash flows and notes to financial statements.	-Statements of financial position, statements of comprehensive income, statements of cash flows, statements of changes in equity and notes to financial statements.
Scope of consolidated subsidiaries	- In accordance with Law on External Audit for Joint Stock Company, a subsidiary is excluded from being consolidated in the parent’s financial statements, if the subsidiary’s total assets are less than ₩10 billion at the end of the preceding year	-Consolidate all the subsidiaries to which the Company exercises control regardless of their size.
Revenue recognition of housing construction and sales operations	- Revenue recognition by percentage-of-completion method	-Revenue recognition by delivery basis
Retirement benefits liability	- Employees with at least one year of service are entitled to retirement benefits. The provision for retirement benefits is measured based on the assumption that all employees will leave as of the reporting date.	-Present value of forecasted retirement benefits liability to be calculated by actuarial technique and discounted in accordance with concept of projected unit credit method (defined benefit obligation)
Accumulated paid absences and bonuses	- Recognized as expense when obligation of cash payment is determined.	-Recognized as expense when employees’ services have been rendered

Change in subsidiaries to be consolidated

The Company has the responsibility to prepare future consolidated financial statement based on K-IFRS as discussed above. As such, as of December 31, 2010, the Company is yet to determine the scope of change in subsidiaries to be consolidated.

Information regarding the effect of first-time adoption of K-IFRS on the financial position and performance of the Company

As of December 31, 2010, the Company is yet to state the full effect of first-time adoption of K-IFRS to the Company financial position and performance, as several accounting treatments for adoption have not been determined.

4. Restricted deposits

Restricted deposits as of December 31, 2010 and 2009 consist of the following (Korean won in millions):

	Financial institution	2010	2009	Description
Short-term financial instruments	Shinhan Bank and others	₩ 24,970	₩ 22,390	Collateral
Long-term financial instruments	Shinhan Bank and others	26	26	Bank overdraft facilities
		₩ 24,996	₩ 22,416	

5. Trading securities

Trading securities as of December 31, 2010 consist of the following (Korean won in millions):

	Number of shares	Ownership (%)	Acquistion	Fair value	Book value	Unrealized holding gain
Seoul Highway Co., Ltd.	24,840,000	27.00%	₩ 124,200	₩ 340,308	₩ 340,308	₩ 216,108

The Company is in the process of selling its shares in Seoul Highway Co., Ltd. with KB Co., Ltd. as a sell-side adviser. These shares are recorded at fair value using the sales price proposed by the potential buyer. The final sales price is subject to change upon negotiation with the buyer.

[*] Although the Company’s ownership of Seoul Highway Co., Ltd. exceeds 20%, the Company classified these securities as trading securities as the Company is not able to exercise significant influence on the investees.

6. Inventories

Inventories as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010	2009
Completed apartments	₩ 3,198	₩ -
Completed commercial industrial buildings	11,104	-
Uncompleted apartments and commercial industrial buildings	149,055	245,259
Land held for development	80,209	80,209
Raw materials and supplies	36,334	96,577
Materials-in-transit	49	47
Other	10,070	6,894
	₩ 290,019	₩ 428,986

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7. Long-term investments securities

Details of long-term investments securities as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010		2009	
Available-for-sale equity securities	₩	195,639	₩	580,280
Available-for-sale debt securities		7,762		20,247
	₩	203,401	₩	600,527

Available-for-sale equity securities as of December 31, 2010 and 2009 consist of the following (Korean won in millions):

	2010						Impairment loss	
	Number of shares	Ownership [%]	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Up to 2009	2010
〈Non-marketable securities〉								
The Korea Economic Daily	646	0.00%	₩ 14	(*)	₩ 14	₩ -	₩ -	₩ -
Pusan Travel & Development Co., Ltd.	80,000	2.67%	400	(#)	-	-	[400]	-
Uijeongbu LRT Inc. (**)	5,449,275	35.89%	27,246	(*)	27,246	-	-	-
Kangnam Inter Circular Road Co., Ltd. (**)	414,000	2.05%	2,070	(*)	2,070	-	-	-
Y-S highway Co., Ltd.	51,000	10.00%	255	(*)	255	-	-	-
GS Retail Co., Ltd.	270,106	1.75%	15,420	27,479	27,479	16,098	[4,039]	-
Public Development Co., Ltd.	394,655	17.09%	3,947	4,258	4,258	311	-	-
Potato Co., Ltd.	60,000	10.00%	300	(*)	300	-	-	-
International Convention Center Jeju	100,000	0.30%	500	(*)	500	-	-	-
Junju Drain Co., Ltd. (**)	207,060	7.90%	1,035	(*)	1,035	-	-	-
Nonsan Drain Co., Ltd. (**)	91,868	11.90%	459	(*)	459	-	-	-
Masan Drain Co., Ltd. (**)	194,288	8.14%	971	(*)	971	-	-	-
Youngduk&Bio Co., Ltd. (**)	34,870	4.22%	174	(*)	174	-	-	-
M-Ciety Development Co., Ltd.	448,800	4.33%	2,244	(*)	2,244	-	-	-
M-Cieta Co., Ltd.	2,640	4.40%	13	(*)	13	-	-	-
Corona Development Co., Ltd.	653,600	7.60%	3,268	1,107	1,107	[2,161]	-	-
Metro Corona Co., Ltd.	5,952	9.92%	30	(*)	30	-	-	-
Midan City Development Co., Ltd. (**)	1,809,760	12.60%	9,049	7,938	7,938	[1,111]	-	-
Jei Youngdong Highway Co., Ltd.	809,600	16.00%	4,048	3,463	3,463	[585]	-	-
Eumseong Sewage Pipe Co., Ltd. (**)	67,210	6.30%	336	(*)	336	-	-	-
Kangreung Sewage Pipe Co., Ltd. (**)	50,682	3.30%	253	(*)	253	-	-	-
Gaya Railway Co., Ltd. (**)	305,490	4.73%	1,527	(*)	1,527	-	-	-
Ulsan green Co., Ltd. (**)	701,368	21.05%	3,507	(*)	3,507	-	-	-
MILESEUM Co., Ltd.	86,645	1.63%	433	(*)	433	-	-	-
Dream Hub Project Financial Investment Co., Ltd.	4,000,000	2.00%	20,000	19,200	19,200	[800]	-	-
Alpha Dome City Co., Ltd.	3,933,600	4.32%	19,668	17,587	17,587	[2,081]	-	-
Alpha Dome City Asset Management Co., Ltd.	4,000	4.00%	20	(*)	20	-	-	-
Seoul Northern Highway Co., Ltd.	101,376	14.08%	507	(*)	507	-	-	-
Seoul-Munsan Highway Co., Ltd.	250,632	45.50%	1,253	(*)	1,253	-	-	-
Daejeon Sewage Pipe Co., Ltd. (**)	108,456	4.00%	830	(*)	830	-	-	-
Bichaenoori Development Co., Ltd.	657,800	11.50%	3,289	(*)	3,289	-	-	-
Bichaenoori Co., Ltd.	11,500	11.50%	58	(*)	58	-	-	-

	2010						Impairment loss	
	Number of shares	Ownership [%]	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Up to 2009	2010
Alpharos PFV Co., Ltd.	2,299,200	9.58%	₩ 11,496	11,121	₩ 11,121	₩ [375]	₩ -	₩ -
Alpharos Mixed-use Development Co., Ltd.	9,580	9.58%	48	(*)	48	-	-	-
Mugung Hwa Trust Co., Ltd.	190,000	8.97%	950	(*)	950	-	-	-
Clean Gimpo Co., Ltd. (**)	365,597	21.42%	1,828	(*)	1,828	-	-	-
Oksan Ochang Highway Corporation	5,000	50.00%	25	(*)	25	-	-	-
Eun Pyung New Road Corp.	184,960	54.40%	925	(*)	925	-	-	-
FN New Housing CR-REIT 2	879,874	19.47%	28,195	(#)	14,495	-	-	[13,700]
Gyeonggi Highway Co., Ltd.	295,240	11.20%	1,476	(*)	1,476	-	-	-
New Seoul Railroad Co., Ltd.	200	10.00%	1	(*)	1	-	-	-
Yangju Eco Corporation	1,900	19.00%	10	(*)	10	-	-	-
South-Seoul LRT Co., Ltd.	1,370	13.70%	7	(*)	7	-	-	-
Green Energy Development Co., Ltd.	81,000	27.00%	405	(*)	405	-	-	-
Engineering Construction Financial Cooperative	1,449	0.30%	180	(*)	180	-	-	-
Korea Electric Engineers Association	200	0.16%	20	(*)	20	-	-	-
Electric Construction Financial Cooperative	600	0.02%	98	(*)	98	-	-	-
Construction Guarantee Information & Communication Financial Cooperative	12,801	0.34%	12,092	12,244	12,244	152	-	-
Fire Guarantee	440	0.06%	61	(*)	61	-	-	-
Korea Housing Guarantee Co., Ltd.	40	0.02%	20	(*)	20	-	-	-
Type stock fund	1,038,490	0.16%	21,532	13,040	13,040	-	[21,532]	13,040
Treasury Stock Fund			14,787	(*)	10,227	[4,560]	-	-
Less: treasury stock			1,500	(*)	7,871	78	-	-
Subtotal			-	(*)	(7,769)	-	-	-
			1,500	(*)	102	78	-	-
Others			2,444	(#)	-	-	[2,444]	-
			₩ 221,224		₩ 195,639	₩ 4,966	₩[28,415]	₩ [660]

(*) The fair value of these non-marketable securities could not be measured reliably and therefore, these securities were recorded at cost.

(**) These available-for-sale securities are pledged as collateral for borrowings or rights for commercial operations of tunnels or roads as of December 31, 2010 and 2009.

(#) The Company has recorded full impairment loss on these available-for-sale securities due to a significant decline in the net asset value of the investments.

Although the Company's ownership of Uijeongbu LRT Inc., Ulsan Green Co., Ltd., Seoul-Munsan Highway Co., Ltd., Clean Gimpo Co., Ltd., Oksan Ochang Highway Corporation, Eun Pyung New Road Corp. and Green Energy Development Co., Ltd. exceeds 20%, the Company classifies these securities as available-for-sale securities as the Company is not able to exercise significant influence on the investees.

As of December, 31 2010, the Company is in the process of disposing shares of Seoul Highway Co., Ltd. and these shares were reclassified to trading securities because of high likelihood of the disposal within 2011.

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2009											Impairment loss	
	Number of shares	Ownership [%]	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Up to 2008	2009				
<Non-marketable securities>												
The Korea Economic Daily	646	0.00%	₩ 14	(*)	₩ 14	₩ -	₩ -	₩ -				
Pusan Travel & Development Co., Ltd.	80,000	2.67%	400	(#)	-	-	[400]	-				
Seoul Highway Co., Ltd. (**) (***)	24,840,000	27.00%	124,200	(*)	400,719	276,519	-	-				
Uijeongbu LRT Inc. (**)	5,449,275	42.00%	27,246	(*)	27,246	-	-	-				
Kangnam Inter Circular Road Co., Ltd. (**)	414,000	2.84%	2,070	(*)	2,070	-	-	-				
Y-S highway Co., Ltd.	51,000	10.00%	255	(*)	255	-	-	-				
Manwolsan Tunnel Co., Ltd. (**)	1,005,000	15.00%	5,025	(*)	5,025	-	-	-				
GS Retail Co., Ltd.	270,106	1.75%	15,420	(*)	11,362	(19)	[4,039]	-				
Public Development Co., Ltd.	394,655	17.09%	3,947	(*)	3,947	-	-	-				
Potato Co., Ltd.	60,000	10.00%	300	(*)	300	-	-	-				
International Convention Center Jeju	100,000	0.30%	500	(*)	500	-	-	-				
Junju Drain Co., Ltd. (**)	207,060	7.90%	1,035	(*)	1,035	-	-	-				
Nonsan Drain Co., Ltd. (**)	91,868	11.90%	459	(*)	459	-	-	-				
Masan Drain Co., Ltd. (**)	107,010	8.14%	535	(*)	535	-	-	-				
Youngduk&Bio Co., Ltd. (**)	41,270	5.00%	206	(*)	206	-	-	-				
M-Ciety Development Co., Ltd.	448,800	4.40%	2,244	(*)	2,244	-	-	-				
M-Cieta Co., Ltd.	2,640	4.40%	13	(*)	13	-	-	-				
Corona Development Co., Ltd.	653,600	7.60%	3,268	(*)	3,268	-	-	-				
Metro Corona Co., Ltd.	5,952	9.92%	30	(*)	30	-	-	-				
Lippo Incheon Development Co., Ltd. (**)	1,809,760	12.60%	9,049	(*)	9,049	-	-	-				
Jei Youngdong Highway Co., Ltd.	809,600	16.00%	4,048	(*)	4,048	-	-	-				
Eumseong Sewage Pipe Co., Ltd. (**)	67,210	6.48%	336	(*)	336	-	-	-				
Kangreung Sewage Pipe Co., Ltd. (**)	50,682	3.30%	253	(*)	253	-	-	-				
Gaya Railway Co., Ltd. (**)	305,490	12.10%	1,527	(*)	1,527	-	-	-				
Ulsan green Co., Ltd. (**)	701,368	39.47%	3,507	(*)	3,507	-	-	-				
MILESEUM Co., Ltd.	64,172	1.25%	321	(*)	321	-	-	-				
Dream Hub Project Financial												
Investment Co., Ltd. (**)	4,000,000	2.00%	20,000	(*)	20,000	-	-	-				
Alpha Dome City Co., Ltd.	2,360,000	4.00%	11,800	(*)	11,800	-	-	-				
Alpha Dome City Asset Management												
Co., Ltd.	4,000	4.00%	20	(*)	20	-	-	-				
Seoul Northern Highway Co., Ltd.	45,056	14.08%	225	(*)	225	-	-	-				
Seoul-Munsan Highway Co., Ltd.	159,632	45.50%	798	(*)	798	-	-	-				
Daejeon Sewage Pipe Co., Ltd. (**)	108,456	4.00%	830	(*)	830	-	-	-				
Bichaenoori Development Co., Ltd.	657,800	11.50%	3,289	(*)	3,289	-	-	-				
Bichaenoori Co., Ltd.	11,500	11.50%	58	(*)	58	-	-	-				

2009											Impairment loss	
	Number of shares	Ownership [%]	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Up to 2008	2009				
Alpharos PFV Co., Ltd.	1,341,200	9.58%	₩ 6,706	(*)	6,706	-	-	-				
Alpharos Mixed-use Development Co., Ltd.												
	9,580	9.58%	48	(*)	48	-	-	-				
Mugung Hwa Trust Co., Ltd.	190,000	8.97%	950	(*)	950	-	-	-				
Clean Gimpo Co., Ltd. (**)	365,597	21.42%	1,828	(*)	1,828	-	-	-				
Oksan Ochang Highway Corporation	5,000	50.00%	25	(*)	25	-	-	-				
Eun Pyung New Road Corp.	54,400	54.40%	272	(*)	272	-	-	-				
FN New Housing CR-REIT 2	879,874	19.47%	28,195	(*)	28,195	-	-	-				
Gyeonggi Highway Co., Ltd.	1,130	11.30%	6	(*)	6	-	-	-				
Green Energy Development Co., Ltd.	81,000	27.00%	405	(*)	405	-	-	-				
Engineering Construction												
Financial Cooperative	1,449	0.30%	180	(*)	180	-	-	-				
Korea Electric Engineers Association	200	0.16%	20	(*)	20	-	-	-				
Electric Construction Financial												
Cooperative	600	0.02%	98	(*)	98	-	-	-				
Construction Guarantee	12,801	0.34%	12,092	(*)	12,092	-	-	-				
Information & Communication												
Financial Cooperative	440	0.06%	61	(*)	61	-	-	-				
Korea Housing Guarantee Co., Ltd.	1,038,490	0.16%	21,532	(#)	-	-	[21,532]	-				
Type stock fund			13,000	(*)	14,090	1,090	-	-				
Treasury Stock Fund			1,500	(*)	7,335	12	-	-				
Less: treasury stock			-	(*)	[7,320]	-	-	-				
Subtotal			1,500	(*)	15	12	-	-				
Others			2,444	(#)	-	-	[2,444]	-				
			₩ 332,590		₩ 580,280	₩ 277,602	₩[28,415]	₩ -				

Available-for-sales debt securities as of December 31, 2010 and 2009 are as follows (Korean won in millions):

Maturity	2010			2009		
	Acquisition cost	Recoverable value	Book value	Acquisition cost	Recoverable value	Book value
Later than 1 year but no later than 5 years (Government bonds)	₩ 2,200	₩ 2,200	₩ 2,200	₩ 12,460	₩ 12,460	₩ 12,460
Later than 5 year but no later than 10 years (Government bonds)	362	362	362	2,587	2,587	2,587
No maturity (Others)	5,200	5,200	5,200	5,200	5,200	5,200
	₩ 7,762	₩ 7,762	₩ 7,762	₩ 20,247	₩ 20,247	₩ 20,247

Interest income earned from long-term investment securities amounted to ₩17 million and ₩245 million for the years ended December 31, 2010 and 2009, respectively.

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December 31, 2010 and 2009

8. Equity method investments

Investments in equity securities accounted for using the equity method as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010				
	Number of shares	Ownership (%)	Acquisition cost	Proportionate net asset value	Book value
Parnas Hotel Co., Ltd.	6,654,675	67.56%	₩ 85,862	₩ 517,845	₩ 490,257
EzVille Inc.	1,660,000	83.00%	10,715	16,788	16,788
XI Service Co., Ltd.	96,000	100.00%	480	584	584
Estech Estimate Corp.	20,000	100.00%	100	155	155
Sacheon Resort Co., Ltd.	290,000	29.00%	1,450	151	151
GLS Service Co., Ltd.	60,000	100.00%	300	308	308
GS E&C Nanjing	1	100.00%	8,880	20,324	20,332
GS E&C Italy S.R.L.	300,000	100.00%	430	(12)	-
LG Properties (S'pore) Pte. Ltd.	25,944,630	30.00%	18,466	(*)	-
GS E&C Thai Co., Ltd.	19,600	49.00%	50	1,341	1,341
GS E&C Poland SP.ZO.O	100	100.00%	17	31	31
GS E&C India Private Ltd.	19,376,228	100.00%	4,243	303	303
GS Construction Arabia Co., Ltd.	15,680	98.00%	3,195	2,057	2,086
GS Construction Saudi Co., Ltd.	3,000	80.00%	921	615	615
GS Cu Chi Development One-member LLC	1	100.00%	12,402	11,773	11,271
GS Nha Be Development One-member LLC	1	100.00%	38,836	33,770	34,053
GS Saigon Development One-member LLC	1	100.00%	40,762	28,004	24,789
GS PP Development Co., Ltd.	490	49.00%	2	(45,059)	-
GS Cambodia Development Co., Ltd.	1,000	100.00%	987	(13,219)	-
GS Global bio Co., Ltd.	5,000	100.00%	1,319	(1,311)	-
GS O&M Co., Ltd.	100,000	100.00%	500	921	921
GCS Plus Co., Ltd.	60,000	100.00%	300	2,881	2,881
Major Development Co., Ltd.	600,000	40.00%	6,000	(8,507)	-
BSM Co., Ltd.	40,000	100.00%	200	277	277
Sanglak Food Co., Ltd.	38,100	97.69%	400	1,390	1,432
GL Project Financing Vehicle 1 Limited	202,500	42.63%	46,625	(4,447)	45,510
GS E&C Construction Canada Ltd.	100	100.00%	1	24	24
			₩ 282,443	₩ 566,987	₩ 654,109

(*) This investee has been suspended from being accounted for using the equity method. The Company has not been able to obtain the net asset value of the investee as of December 31, 2010, due to the unavailability of its financial statements.

	2009				
	Number of shares	Ownership (%)	Acquisition cost	Proportionate net asset value	Book value
Parnas Hotel Co., Ltd.	6,654,675	67.56%	₩ 85,862	₩ 502,334	₩ 473,451
EzVille Inc.	1,560,000	78.00%	9,385	11,883	12,130
XI Service Co., Ltd.	96,000	100.00%	480	588	588
Estech Estimate Corp.	20,000	100.00%	100	137	137
Sacheon Resort Co., Ltd.	290,000	29.00%	1,450	51	52
GLS Service Co., Ltd.	60,000	100.00%	300	305	305
GS E&C Nanjing	1	100.00%	8,880	20,152	20,152
GS-HP Corp.	1	30.00%	2,196	1,864	1,864
GS E&C Italy S.R.L.	300,000	100.00%	430	(172)	-
LG Properties (S'pore) Pte. Ltd.	25,944,630	30.00%	18,466	(*)	-
GS E&C Thai Co., Ltd.	19,600	49.00%	50	1,734	1,734
GS E&C Poland SP.ZO.O	100	100.00%	17	2,000	2,000
GS E&C India Private Ltd.	19,376,228	100.00%	4,243	1,510	1,510
GS Construction (Arabia), Ltd.	15,680	98.00%	3,195	912	917
GS Cu Chi Development One-member LLC	1	100.00%	12,402	12,799	12,304
GS Nha Be Development One-member LLC	1	100.00%	38,836	36,519	36,519
GS Saigon Development One-member LLC	1	100.00%	40,762	21,919	20,243
GS PP Development Co., Ltd.	490	49.00%	2	(44,067)	-
GS Cambodia Development Co., Ltd.	1,000	100.00%	987	(7,806)	-
GS Global bio Co., Ltd.	5,000	100.00%	1,319	(1,343)	-
GS O&M Co., Ltd.	100,000	100.00%	500	795	795
GCS Plus Co., Ltd.	60,000	100.00%	300	2,263	2,263
Major Development Co., Ltd.	600,000	40.00%	6,000	(21,080)	-
BSM Co., Ltd.	20,000	100.00%	100	134	134
Metro PFV Co., Ltd.	469,000	46.90%	12,194	10,961	16,877
Sanglak Food Co., Ltd.	37,500	96.15%	394	616	672
			₩ 248,850	₩ 555,008	₩ 604,647

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The summary of financial position of the investees as of December 31, 2010 and 2009, and the results of their financial performance for the years then ended, are presented as follows (Korean won in millions):

	2010 (*)			
	Total assets	Total liabilities	Sales	Net income (loss)
Parnas Hotel Co., Ltd.	₩ 1,157,167	₩ 390,625	₩ 211,509	₩ 24,950
EzVille Inc.	33,553	13,327	102,742	5,197
XI Service Co., Ltd.	2,893	2,310	15,452	2
Estech Estimate Corp.	766	611	4,959	19
Sacheon Resort Co., Ltd.	37,939	37,419	-	(530)
GLS Service Co., Ltd.	550	242	1,838	6
GS E&C Nanjing	42,514	22,190	75,685	6,810
GS E&C Italy S.R.L.	-	12	-	-
GS E&C Thai Co., Ltd.	3,223	485	4,063	(1,045)
GS E&C Poland SP.ZO.O	704	673	1	1
GS E&C India Private Ltd.	5,004	4,702	12,069	(1,223)
GS Construction Arabia Co., Ltd.	35,378	33,278	112,847	1,252
GS Construction Saudi Co., Ltd.	1,048	279	116	(375)
GS Cu Chi Development One-member LLC	44,197	32,424	-	197
GS Nha Be Development One-member LLC	83,549	49,779	-	(395)
GS Saigon Development One-member LLC	306,204	278,201	57,491	6,109
GS PP Development Co., Ltd.	142,416	234,374	-	(4,301)
GS Cambodia Development Co., Ltd.	43,635	56,854	-	(5,691)
GS Global Bio Co., Ltd.	22	1,332	-	(1)
GS O&M Co., Ltd.	2,956	2,035	16,116	126
GCS Plus Co., Ltd.	8,554	5,673	41,763	618
Major Development Co., Ltd.	449,557	470,825	230,492	28,925
BSM Co., Ltd.	1,375	1,098	8,191	43
Sanglak Food Co., Ltd.	6,166	4,743	30,980	866
GL Project Financing Vehicle 1 Limited	560,623	571,604	-	(993)
GS E&C Construction Canada Ltd.	26,918	26,894	7,846	22

(*) LG Properties (S'pore) Pte. Ltd. has been suspended from being accounted for using the equity method. The Company has is not able to disclose the financial information of this investee in the above table for the year ended December 31, 2010, due to unavailability of their financial statements.

	2009			
	Total assets	Total liabilities	Sales	Net income (loss)
Parnas Hotel Co., Ltd.	₩ 1,150,714	₩ 407,129	₩ 191,528	₩ 18,651
EzVille Inc.	24,599	9,364	61,454	4,069
XI Service Co., Ltd.	2,069	1,481	12,455	49
Estech Estimate Corp.	910	773	4,849	15
Sacheon Resort Co., Ltd.	33,548	33,373	-	(1,361)
GLS Service Co., Ltd.	668	363	1,538	12
GS E&C Nanjing	32,002	11,850	56,135	8,270
GS-HP Corp.	11,425	5,212	4,641	1,283
GS E&C Italy S.R.L.	284	456	6	(715)
GS E&C Thai Co., Ltd.	9,399	5,860	34,079	2,651
GS E&C Poland SP.ZO.O	3,906	1,906	3	3,514
GS E&C India Private Ltd.	3,074	1,564	9,105	(701)
GS Construction Arabia Co., Ltd.	15,708	14,778	13,724	532
GS Cu Chi Development One-member LLC	45,855	33,056	-	(14)
GS Nha Be Development One-member LLC	55,873	19,354	-	(501)
GS Saigon Development One-member LLC	248,771	226,852	-	(7,803)
GS PP Development Co., Ltd.	146,029	235,961	-	(8,616)
GS Cambodia Development Co., Ltd.	49,710	57,516	-	(2,485)
GS Global Bio Co., Ltd.	89	1,432	-	(2,455)
GS O&M Co., Ltd.	2,612	1,817	16,784	586
GCS Plus Co., Ltd.	7,008	4,745	39,239	789
Major Development Co., Ltd.	407,886	460,586	99,349	(13,594)
BSM Co., Ltd.	645	511	8,691	19
Metro PFV Co., Ltd.	24,241	869	191,300	18,920
Sanglak Food Co., Ltd.	4,970	4,329	31,131	308

Details of adjusted net asset value of the investee to account for the differences in accounting policies compared to those of the Company are as follows (Korean won in millions):

	2010			
	Net asset value before adjustment	Adjustment	Net asset value after adjustment	Proportionate ownership
GL Project Financing Vehicle 1 Limited	₩ (105,754)	₩ 95,322	₩ (10,432)	₩ (4,447)

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The changes in carrying amount of goodwill (negative goodwill) for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010				
	Jan.1, 2010	Additions	Amortization	Dec.31, 2010	
Parnas Hotel Co., Ltd.	₩ (9,205)	₩ -	₩ 575	₩ (8,630)	
EzVille Inc.	246	-	(246)	-	
Sacheon Resort Co., Ltd.	2	-	(2)	-	
Metro PFV Co., Ltd.	5,915	-	(5,915)	-	
GS Construction (Arabia) Co., Ltd.	5	-	(2)	3	
Sanglak Food Co., Ltd.	56	-	(14)	42	
GL Project Financing Vehicle 1 Limited	-	49,957	-	49,957	
	₩ (2,981)	₩ 49,957	₩ (5,604)	₩ 41,372	
	2009				
	Jan.1, 2009	Additions	Amortization	Dec.31, 2009	
Parnas Hotel Co., Ltd.	₩ (9,780)	₩ -	₩ 575	₩ (9,205)	
EzVille Inc.	493	-	(247)	246	
Sacheon Resort Co., Ltd.	3	-	(1)	2	
Metro PFV Co., Ltd.	7,887	-	(1,972)	5,915	
GS Construction (Arabia) Co., Ltd.	7	-	(2)	5	
Sanglak Food Co., Ltd.	-	70	(14)	56	
	₩ (1,390)	₩ 70	₩ (1,661)	₩ (2,981)	

The elimination of unrealized gains or (losses) arising from inter-company transactions for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010				
	Jan.1, 2010	Additions	Realization	Dec.31, 2010	
Parnas Hotel Co., Ltd.	₩ 19,679	₩ -	₩ (721)	₩ 18,958	
GS Cu Chi Development One-member LLC	495	7	-	502	
GS Saigon Development One-Member LLC	1,677	1,538	-	3,215	
GS Nha Be Development One-member LLC	-	(283)	-	(283)	
GS E&C Nanjing	-	(8)	-	(8)	
GS Construction Arabia Co., Ltd.	-	(26)	-	(26)	
	₩ 21,851	₩ 1,228	₩ (721)	₩ 22,358	
	2009				
	Jan.1, 2009	Additions	Realization	Dec.31, 2009	
Parnas Hotel Co., Ltd.	₩ 20,400	₩ -	₩ (721)	₩ 19,679	
GS Cu Chi Development One-member LLC	-	495	-	495	
GS Saigon Development One-Member LLC	-	1,677	-	1,677	
	₩ 20,400	₩ 2,172	₩ (721)	₩ 21,851	

The details of changes in the carrying amount of equity method investments for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010					
	Jan. 1, 2010	Acquisition (disposal / dividends)	Equity in earnings(loss) of investee	Share of changes in		Dec. 31, 2010
				Retained earnings	Other comprehensive income	
Parnas Hotel Co., Ltd.	₩ 473,451	₩ (1,331)	₩ 17,832	₩ -	₩ 305	₩ 490,257
EzVille Inc.	12,130	891	3,767	-	-	16,788
XI Service Co., Ltd.	588	-	(4)	-	-	584
Estech Estimate Corp.	137	-	18	-	-	155
Sacheon Resort Co., Ltd.	52	-	99	-	-	151
GLS Service Co., Ltd.	305	-	3	-	-	308
GS E&C Nanjing	20,152	(6,943)	6,789	-	334	20,332
GS-HP Corp.	1,864	(2,226)	227	-	135	-
GS E&C Italy S.R.L.	-	-	58	-	(58)	-
GS E&C Thai Co., Ltd.	1,734	-	(512)	-	119	1,341
GS E&C Poland SP.ZO.O	2,000	(1,786)	59	-	(242)	31
GS E&C India Private Ltd.	1,510	-	(1,223)	-	16	303
GS Construction Arabia Co., Ltd.	917	-	1,206	-	(37)	2,086
GS Construction Saudi Co., Ltd.	-	921	(300)	-	(6)	615
GS Cu Chi Development One-member LLC	12,304	-	(104)	-	(929)	11,271
GS Nha Be Development One-member LLC	36,519	-	196	-	(2,662)	34,053
GS Saigon Development One-member LLC	20,243	-	6,176	-	(1,630)	24,789
GS Global Bio Co., Ltd.	-	-	(92)	-	92	-
Metro PFV Co., Ltd.	16,877	(11,334)	(5,543)	-	-	-
GS O&M Co., Ltd.	795	-	126	-	-	921
GCS Plus Co., Ltd.	2,263	-	618	-	-	2,881
BSM Co., Ltd.	134	100	43	-	-	277
Sanglak Food Co., Ltd.	672	6	748	-	6	1,432
GL Project Financing Vehicle 1 Limited	-	46,625	(1,115)	-	-	45,510
GS E&C Construction Canada Ltd.	-	1	22	-	1	24
	₩ 604,647	₩ 24,924	₩ 29,094	₩ -	₩ (4,556)	₩ 654,109

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The details of changes in the carrying amount of equity method investments for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2009					
	Jan. 1, 2009	Acquisition (disposal / dividends)	Equity in earnings(loss) of investee	Share of changes in		Dec. 31, 2009
				Retained earnings	Other comprehen- sive income	
Parnas Hotel Co., Ltd.	₩ 531,048	₩ [1,331]	₩ 11,123	₩ -	₩ (67,389)	₩ 473,451
EzVille Inc.	10,618	-	1,512	-	-	12,130
XI Service Co., Ltd.	540	-	48	-	-	588
Estech Estimate Corp.	122	-	15	-	-	137
Sacheon Resort Co., Ltd.	485	-	(433)	-	-	52
GLS Service Co., Ltd.	298	-	7	-	-	305
LG Holdings (HK), Ltd.	50,969	(28,818)	-	-	(22,151)	-
GS E&C Nanjing	16,718	(3,366)	8,240	-	(1,440)	20,152
GS-HP Corp.	1,732	-	392	-	(260)	1,864
GS E&C Italy S.R.L.	395	-	(395)	-	-	-
GS E&C Thai Co., Ltd.	838	-	1,011	-	(115)	1,734
GS E&C Poland SP.ZO.O	36,753	(34,557)	3,210	-	(3,406)	2,000
GS E&C India Private Ltd.	2,273	-	(700)	-	(63)	1,510
GS Construction (Arabia) Ltd.	262	(50)	804	-	(99)	917
GS Cu Chi Development One-member LLC	14,411	-	(319)	-	(1,788)	12,304
GS Nha Be Development One-member LLC	34,929	7,246	(699)	-	(4,957)	36,519
GS Saigon Development One-Member LLC	32,786	-	(9,428)	-	(3,115)	20,243
GS Global Bio Co., Ltd.	1,010	-	(1,010)	-	-	-
GS O&M Co., Ltd.	218	-	577	-	-	795
GCS Plus Co., Ltd.	1,457	-	806	-	-	2,263
BSM Co., Ltd.	116	-	18	-	-	134
Metro PFV Co., Ltd.	9,976	-	6,901	-	-	16,877
Sanglak Food Co., Ltd.	-	394	244	-	34	672
	₩ 747,954	₩ (60,482)	₩ 21,924	₩ -	₩ (104,749)	₩ 604,647

(*) The Company applied the equity method by using the unaudited or unreviewed financial statements of the investees because it could not obtain any audited or reviewed financial statements as of December 31, 2010 and 2009. The Company performed certain procedures on the unaudited or unreviewed financial statements of the investees signed by the investees' management to assess the reliability of such financial statements.

The details of changes in share of other comprehensive income adjustments of the investees for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010			2009		
	Jan.1, 2010	Net changes	Dec. 31, 2010	Jan.1, 2009	Net changes	Dec. 31, 2009
Parnas Hotel Co., Ltd.	₩ 397,930	₩ 305	₩ 398,235	₩ 465,319	₩ (67,389)	₩ 397,930
LG Holdings (HK), Ltd	-	-	-	22,151	(22,151)	-
GS E&C Nanjing	3,085	334	3,419	4,525	(1,440)	3,085
GS-HP Corp.	(135)	135	-	125	(260)	(135)
GS E&C Italy S.R.L.	58	(58)	-	58	-	58
LG Properties (S'PORE) Pte. Ltd.	295	-	295	295	-	295
GS E&C Poland SP.ZO.O	4,403	(242)	4,161	7,809	(3,406)	4,403
GS E&C Thai Co., Ltd.	126	119	245	241	(115)	126
GS E&C India Private Ltd.	417	16	433	480	(63)	417
GS Construction (Arabia) Ltd.	83	(37)	46	182	(99)	83
GS Construction Saudi Co., Ltd.	-	(6)	(6)	-	-	-
GS Cu Chi Development One-member LLC	754	(929)	(175)	2,542	(1,788)	754
GS Nha Be Development One-member LLC	385	(2,662)	(2,277)	5,342	(4,957)	385
GS Saigon Development One-member LLC	4,200	(1,630)	2,570	7,315	(3,115)	4,200
Sanglak Food Co., Ltd.	34	6	40	-	34	34
GS Global Bio Co., Ltd.	(92)	92	-	(92)	-	(92)
GS E&C Construction Canada Ltd.	-	1	1	-	-	-
	411,543	(4,556)	406,987	516,292	(104,749)	411,543
Deferred income tax effect	(90,540)	1,002	(89,538)	(113,584)	23,044	(90,540)
	₩ 321,003	₩ (3,554)	₩ 317,449	₩ 402,708	₩ (81,705)	₩ 321,003

The details of share of changes in capital surplus in equity method or equity adjustments in equity method of the investees for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010			2009		
	Jan.1, 2010	Net changes	Dec. 31, 2010	Jan.1, 2009	Net changes	Dec. 31, 2009
Parnas Hotel Co., Ltd.	₩ 35,702	₩ -	₩ 35,702	₩ 35,702	₩ -	₩ 35,702
GS Construction Arabia Co. Ltd.	(1,353)	-	(1,353)	-	(1,353)	(1,353)
EzVille Inc.	(2,724)	(439)	(3,163)	(2,724)	-	(2,724)
	31,625	(439)	31,186	32,978	(1,353)	31,625
Deferred income tax effect	(6,958)	96	(6,862)	(7,255)	297	(6,958)
	₩ 24,667	₩ (343)	₩ 24,324	₩ 25,723	₩ (1,056)	₩ 24,667

(*) The Company adjusted deferred income tax due to the change in income tax rates.

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As of December 31, 2010 and 2009, the respective accumulated losses of the investees from which the application of the equity method of accounting has been suspended as their losses exceeded the Company's interest in the investees are as follows (Korean won in millions):

	2010		2009	
GS PP Development Co., Ltd.	₩	45,059	₩	44,067
Major Development Co., Ltd.		8,507		21,080
GS Cambodia development Co., Ltd.		13,213		7,806
GS E&C Italy S.R.L		12		172
GS Global Bio Co., Ltd.		1,311		1,343
LG Properties(S'pore) Pte. Ltd.		(*)		(*)
	₩	68,102	₩	74,468

(*) LG Properties (S'pore) Pte. Ltd. was not accounted for using the equity method. The financial information of this investee is not disclosed in the above table for the years ended December 31, 2010 and 2009, due to unavailability of its financial statements.

9. Government posted value of land owned

The book value of the Company-owned land and the assessment value of land officially announced by the Korean government for tax purposes as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	Book value		Public assessment value	
	2010	2009	2010	2009
Land	₩ 680,997	₩ 694,569	₩ 489,541	₩ 473,766

10. Property, plant and equipment

Changes in the net book value of property, plant and equipment for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010									
	Jan. 1, 2010	Additions	Disposals	Transfers from construction- in-progress	Transfers	Depreciation	Foreign currency translation adjustments	Dec. 31, 2010		
Land	₩ 694,569	₩ -	₩ (13,572)	₩ -	₩ -	₩ -	₩ -	₩ 680,997		
Golf course	175,767	-	-	-	-	-	-	175,767		
Standing timber	29,283	-	-	-	-	-	-	29,283		
Buildings	416,086	23,366	(469)	2,268	-	(13,949)	66	427,368		
Structures	87,799	154	(96)	-	-	(2,618)	-	85,239		
Machinery	356	31	-	-	-	(193)	(2)	192		
Construction equipment	57	31,288	(13)	-	-	(1,262)	(52)	30,018		
Vehicles	1,077	2,176	(303)	-	-	(836)	(8)	2,106		
Others	14,217	10,423	(346)	-	-	(8,564)	(8)	15,722		
Construction-in-progress	2,485	2,636	-	(2,268)	(112)	-	-	2,741		
Total	₩ 1,421,696	₩ 70,074	₩ (14,799)	₩ -	₩ (112)	₩ (27,422)	₩ (4)	₩ 1,449,433		

Land and part of buildings have been provided as collateral to Lotte Shopping Co., Ltd. to the extent of ₩135,723 million as of December 31, 2010 in connection with leasehold guarantee deposits received.

	2009								
	Jan.1, 2009	Additions	Disposals	Transfers from construction-in-progress	Transfers [*1]	Depreciation	Foreign currency translation adjustments	Dec. 31, 2009	
Land	₩ 688,878	₩ -	₩ [14,498]	₩ -	₩ 20,189	₩ -	₩ -	₩	694,569
Golf course	171,486	-	-	4,209	72	-	-		175,767
Standing timber	29,265	18	-	-	-	-	-		29,283
Buildings	406,668	4,595	[3,304]	2,955	17,085	[11,914]	1		416,086
Structures	89,893	483	-	11	-	[2,588]	-		87,799
Machinery	1,236	14	-	-	-	[891]	[3]		356
Construction equipment	160	-	-	-	-	[102]	[1]		57
Vehicles	2,182	323	[99]	-	-	[1,265]	[64]		1,077
Others	21,385	4,159	[223]	-	[147]	[10,922]	[35]		14,217
Construction-in-progress	1,167	8,493	-	[7,175]	-	-	-		2,485
Total	₩ 1,412,320	₩ 18,085	₩ [18,124]	₩ -	₩ 37,199	₩ [27,682]	₩ [102]	₩	1,421,696

(*1) Amount transferred from uncompleted apartments and commercial industrial buildings, advance payments and land held for development is included.

The Company adopted the revised SKAS 5 Amendments - Property, Plant and Equipment in the prior year and revalued its land at fair value. The Company engaged an accredited independent appraiser to determine the fair value of its land. Fair value is determined by reference to market-based evidence. This means that valuation performed by the appraiser is based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the valuation was December 31, 2008.

As the revaluation had resulted in a revaluation surplus amounting to ₩305,242 million, the Company recognized ₩238,089 million, after deducting income tax effect amounting to ₩67,153 million, in other comprehensive income. The Company reflected loss on revaluation amounting to ₩25,573 million in the current year's statement of income. As of December 31, 2010, the amount of revaluation surplus recognized in accumulated other comprehensive income is ₩234,400 million due to disposal of some land during the current year.

If land was measured using the cost model, the carrying amounts would be as follows (Korean won in millions):

	2010	2009
Cost	₩ 380,484	₩ 389,929
Accumulated depreciation and impairment	-	-
Net carrying amount	₩ 380,484	₩ 389,929

The movements in the accumulated other comprehensive income are as follows (Korean won in millions):

	2010	2009
As of January 1,	₩ 237,619	₩ 238,089
Changes of accumulated other comprehensive income arising from disposal	[4,126]	[603]
Related deferred income tax effect of disposal	907	133
As of December 31,	₩ 234,400	₩ 237,619

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11. Capitalized financing costs

The Company capitalized certain financing costs of ₩7,937 million and ₩10,728 million for the years ended December 31, 2010 and 2009, respectively, as part of the cost of the related property, plant and equipment and inventories. Such capitalized financing costs have the following effects on the Company's financial statements as of December 31, 2010 and 2009, and for the years then ended (Korean won in millions):

	2010		2009	
〈Statements of financial position〉				
Increase in inventories	₩	7,933	₩	10,490
Increase in property, plant and equipment		4		238
〈Statements of income〉				
Decrease in interest expense		7,937		10,728
Increase in net income		6,016		8,132

12. Intangible assets

Details of intangible assets as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010				
	Cost		Accumulated amortization	Accumulated impairment losses	Net book value
Rights for lease operations	₩	6,550	₩	[4,039]	₩ 2,511
	2009				
	Cost		Accumulated amortization	Accumulated impairment losses	Net book value
Rights for lease operations	₩	6,550	₩	[3,712]	₩ 2,838
Development cost		30		[30]	-
	₩	6,580	₩	[3,742]	₩ 2,838

Changes in the net book value of intangible assets for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010			
	Jan.1, 2010		Amortization	Dec. 31, 2010
Rights for lease operations	₩	2,838	₩	[327]
				₩ 2,511
	2009			
	Jan.1, 2009		Amortization	Dec. 31, 2009
Rights for lease operations	₩	3,166	₩	[328]
Development costs		2		[2]
	₩	3,168	₩	[330]

Details of intangible assets as of December 31, 2010 are as follows (Korean won in millions):

	2010		
	Book value		Remaining estimated useful life
Rights for lease operations	₩	2,511	8 years
			Dormitory, Kyunghee University

13. Short-term & long-term borrowings and debentures

Short-term borrowings as of December 31, 2010 and 2009 consist of the following (Korean won in millions):

Financial institution	Description	Annual interest rate (%) as of Dec. 31, 2010	2010	2009
KB Co., Ltd.	Usance	1.29~2.49	₩ 2,717	₩ 9,250
Hana Bank	Usance	1.24~2.08	5,713	5,705
ANZ	Usance	1.63	-	641
SC First Bank	Usance	1.56~1.60	3,448	-
China Bank	Usance	1.44~2.23	7,237	-
NovaScotia	Usance	1.27~1.38	813	-
Shinhan Bank	Usance	2.44~3.24	481	-
Korea Exchange Bank	Usance	1.30	5,076	-
ING	Usance	1.22		
	General loans	LIBOR 3M	1,411	-
Korea Eximbank	(Foreign currency)	+ 2.14		
	General loans	LIBOR 3M	22,221	-
Korea Eximbank	(Foreign currency)	+ 2.1~2.5	444,780	59,501
Korea Eximbank	General loans	5.25	-	125,143
			₩ 493,897	₩ 200,240

Long-term borrowings of the Company as of December 31, 2010 and 2009 are as follows (Korean won in millions):

Financial institution	Description	Annual interest rate (%) as of Dec. 31, 2010	2010(*)	2009	Repayment term
Korea Housing Guarantee Co., Ltd.	Long-term borrowings in Korean won	1.0	₩ 11,940	₩ 11,940	Deferred for 10 years and repayment by 12 yearly equal installments

(*) The 12 yearly installments repayment will begin in 2013.

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The details of debentures issued as of December 31, 2010 and 2009 are as follows (Korean won in millions):

Series	Issuance date	Maturity date	Annual interest rate in 2010 (%)	2010		2009	
118 th - non-guaranteed debentures	July, 2007	July, 2010	5.6	₩	-	₩	50,000
119 th - non-guaranteed debentures							
(Issued in foreign currency)	January, 2008	December, 2010	LIBOR 3M+1.1		-		350,280
08-1 th privately issued debentures	December, 2008	December, 2011	8.22		61,700		61,700
120 th - non-guaranteed debentures	February, 2009	February, 2010	8.50		-		100,000
121 th - non-guaranteed debentures	April, 2009	April, 2011	7.60		100,000		100,000
122 th - non-guaranteed debentures	October, 2009	October, 2012	5.70		100,000		100,000
123 th - non-guaranteed debentures	April, 2010	April, 2013	4.80		100,000		-
124 th - non-guaranteed debentures	August, 2010	August, 2013	5.20		100,000		-
Less present value discount					(1,525)		(1,714)
					(161,256)		(149,905)
Less current portion				₩	298,919	₩	610,361

The entire principal amount of the above debentures will be redeemed at their respective maturity dates. 08-1 th privately issued debentures, 121th - non-guaranteed debentures, 122th - non-guaranteed debentures, 123th - non-guaranteed debentures and 124th - non-guaranteed debentures’ interests are due every 3 months. Amortization of discount is calculated over the term of the debentures using the effective interest rate method as part of interest expense.

The repayment schedules of long-term borrowings and debentures are as follows (Korean won in millions):

Year	Long-term borrowings		Debentures		Total	
2011	₩	-	₩	161,700	₩	161,700
2012		-		100,000		100,000
2013		1,327		200,000		201,327
2014		1,327		-		1,327
2015 and thereafter		9,286		-		9,286
	₩	11,940	₩	461,700	₩	473,640

14. Monetary assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies excluding those of overseas operations as of December 31, 2010 and 2009 are as follows:

	2010				2009			
Account	Foreign currencies		Korean won equivalent (in millions)		Foreign currencies		Korean won equivalent (in millions)	
Assets:	EUR	-	₩	-	EUR	4,343,707	₩	7,273
Cash and cash equivalents	THB	-		-	THB	11,000		-
	USD	67,346,070		76,700	USD	316,878,962		369,988
	JPY	173,199,020		2,420	JPY	697,359,718		8,806
	SGD	2,054,776		1,816	SGD	13,478,407		11,204
	CAD	8,414,168		9,581	CAD	-		-
Trade accounts receivable	EUR	2,199,801		3,330	EUR	5,195,793		8,699
	JPY	94,913,037		1,326	JPY	-		-
	SAR	1,207,710		367	SAR	1,207,710		376
	USD	141,607,991		161,277	USD	98,878,687		115,451
	CAD	130,206		148	CAD	-		-
Short-term loans receivable	USD	200,641,192		228,510	USD	182,073,367		212,589
Other accounts receivable	USD	9,958,830		11,342	USD	3,286,761		3,838
	CNY	2,013,600		347	CNY	844,320		144
	THB	-		-	THB	670,702		23
Long-term loans receivable	USD	5,429,963		6,184	USD	8,562,788		9,998
	SAR	750,000		228	SAR	-		-
Total			₩	503,576			₩	748,389
Liabilities:								
Trade accounts and notes payable	AED	39	₩	-	AED	30,805	₩	10
	EUR	17,279,196		26,154	EUR	3,753,700		6,285
	GBP	172,827		304	GBP	22,700		43
	JPY	552,574,129		7,720	JPY	38,997,720		492
	USD	102,358,891		116,577	USD	38,561,427		45,024
	CHF	-		-	CHF	78,240		88
	SAR	124,608		38	SAR	-		-
	THB	6,058,850		229	THB	4,506,310		158
	CAD	410,860		468	CAD	-		-
Other accounts payable	EUR	48,000		73	EUR	41,385		69
	JPY	1,861,998		26	JPY	38,000		1
	USD	638,333		727	USD	399,275		466
	CAD	38,029		43	CAD	-		-
Withholdings	EUR	188		-	EUR	32,188		54
	USD	7,433,794		8,466	USD	7,691,548		8,981
	JPY	215,050,000		3,004	JPY	215,050,000		2,716
	CAD	4,313		5	CAD	-		-
Short-term borrowings	EUR	1,704,544	₩	2,580	EUR	525,240	₩	879
	USD	429,260,750		488,885	USD	56,717,259		66,223
	JPY	174,100,000		2,432	JPY	633,068,165		7,995
Debentures	USD	-		-	USD	300,000,000		350,280
Total			₩	657,731			₩	489,764

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15. Other provisions

The details of changes in other provisions for liabilities for the year ended December 31, 2010 are as follows (Korean won in millions):

	2010		
	As of January 1	Increase	As of December 31
Payment guarantee	₩ 126,150	₩ 21,771	₩ 147,921
Litigation and others	676	990	1,666
Total	₩ 126,826	₩ 22,761	₩ 149,587

16. Financial position of overseas operations

Summary of the Company's overseas operations financial position as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010		2009	
Current assets	₩	428,260	₩	192,860
Non-current assets		56,156		4,957
Current liabilities		398,551		186,914
Non-current liabilities		434		410

17. Related party disclosures

The related parties of the Company and nature of their relationship with the Company are as follows:

Company name	Parent company	Relationship with the company
Parnas Hotel Co., Ltd.	The Company	Subsidiary
EzVille Inc.	The Company	Subsidiary
XI Service Co., Ltd.	The Company	Subsidiary
Estech Estimate Corp.	The Company	Subsidiary
GLS Service Co., Ltd.	The Company	Subsidiary
GS E&C Nanjing	The Company	Subsidiary
GS E&C Italy S.R.L.	The Company	Subsidiary
GS E&C Poland SP.ZO.O	The Company	Subsidiary
GS E&C India Private Ltd.	The Company	Subsidiary
GS Construction Arabia Co., Ltd.	The Company	Subsidiary
GS Cu Chi Development One-member LLC	The Company	Subsidiary
GS Nha Be Development One-member LLC	The Company	Subsidiary
GS Saigon Development One-Member LLC	The Company	Subsidiary
GS Cambodia Development Co., Ltd.	The Company	Subsidiary
GS Global Bio Co., Ltd.	The Company	Subsidiary
GS O&M Co., Ltd.	The Company	Subsidiary
GCS Plus Co., Ltd.	The Company	Subsidiary
BSM Co., Ltd.	The Company	Subsidiary
Sanglak Food Co., Ltd.	The Company	Subsidiary
GS Construction Saudi Co., Ltd	The Company	Subsidiary
GS E&C Construction Canada Ltd.	The Company	Subsidiary

Compensation for key management personnel for the years ended December 31, 2010 and 2009 is as follows (Korean won in millions):

	2010		2009	
Salaries	₩	32,109	₩	19,821
Severance and retirement benefits		2,070		21,055
	₩	34,179	₩	40,876

Key management personnel include registered and unregistered directors and outside directors who have the authority and responsibilities for planning, operation and control of the business of the Company.

Significant transactions with related parties for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

Relationship		Transaction	2010		2009	
Major Development Co., Ltd.	Equity method investee	Sales and other income	₩	85,529	₩	610
Sacheon Resort Co., Ltd.	Equity method investee	Sales and other income		128		736
GS E&C Thai Co., Ltd.	Equity method investee	Sales and other income		3,354		194
		Cost of sales and purchases		523		5,579
EzVille Inc.	Subsidiary	Sales and other income		4		1
		Cost of sales and purchases		51,630		25,750
		Outsourcing costs		10,971		17,020
		Other expenses		1,291		1,440
BSM Co., Ltd.	Subsidiary	Sales and other income		274		-
		Cost of sales and purchases		336		-
		Other expenses		5,434		8,621
XI Service Co., Ltd.	Subsidiary	Sales and other income		15		8
		Cost of sales and purchases		14,798		11,978
		Other expenses		648		476
GCS Plus Co., Ltd.	Subsidiary	Cost of sales and purchases		40,616		38,229
GS O&M Co., Ltd.	Subsidiary	Sales and other income		199		203
		Cost of sales and purchases		11,825		15,613
Estech Estimate Corp.	Subsidiary	Sales and other income		294		239
		Cost of sales and purchases		3,180		3,719
		Other expenses		841		1,295
GLS Service Corp.	Subsidiary	Sales and other income		59		-
		Cost of sales and purchases		1,727		-
		Outsourcing costs		52		-
Parnas Hotel Co., Ltd.	Subsidiary	Sales and other income		410		8
		Cost of sales and purchases		134		297
		Other expenses		494		195
GS Construction Arabia Co., Ltd.	Subsidiary	Sales and other income		1,320		893
		Cost of sales and purchases		362		851
GS Construction Saudi Co., Ltd.	Subsidiary	Sales and other income		-		-
		Cost of sales and purchases		119		-
GS Cu Chi Development One-member LLC	Subsidiary	Sales and other income		1,225		3,359
GS E&C India Private Ltd.	Subsidiary	Sales and other income		533		580
		Cost of sales and purchases		6,210		3,865
		Outsourcing costs		4,932		4,743

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Relationship		Transaction	2010	2009
GS E&C Nanjing	Subsidiary	Sales and other income	₩ 1,848	₩ 440
GS Nha Be Development	Subsidiary	Sales and other income	154	362
One-member LLC		Other expenses	4	-
GS Saigon Development	Subsidiary	Sales and other income	49,387	22,820
One-member LLC				
d&shop Co., Ltd.	Affiliate	Other expenses	1	-
Samyang International Co., Ltd.	Affiliate	Sales and other income	70	53
		Cost of sales and purchases	10,960	14,668
		Other expenses	10	2
Sungsan Group Corporation	Affiliate	Sales and other income	4,633	-
GS Global Corp.	Affiliate	Sales and other income	1	-
		Cost of sales and purchases	7,030	-
ITMEXSYI	Affiliate	Sales and other income	4	-
		Cost of sales and purchases	662	-
		Other expenses	1,537	-
Cosmo D&I Co., Ltd.	Affiliate	Other expenses	1	-
Cosmo Leports Co., Ltd.	Affiliate	Other expenses	5	-
Central Motors Corp.	Affiliate	Sales and other income	27	-
Uijeongbu LRT Co., Ltd	Affiliate	Sales and other income	56,484	44,151
		Cost of sales and purchases	24	-
GS Retail Co., Ltd.	Affiliate	Sales and other income	18,852	22,072
		Cost of sales and purchases	1,664	744
		Other expenses	1,785	2,502
GS Sports Co., Ltd.	Affiliate	Cost of sales and purchases	-	4
		Other expenses	8,826	7,538
GS Co., Ltd.	Affiliate	Sales and other income	769	11
		Cost of sales and purchases	5,433	3,589
		Other expenses	21,203	18,299
GS Bio Co., Ltd.	Affiliate	Sales and other income	12	-
GS Asset Co., Ltd.	Affiliate	Other expenses	91	-
GS Power Co., Ltd.	Affiliate	Sales and other income	3,046	2,549
		Cost of sales and purchases	2	190
GS Fuelcell Co., Ltd.	Affiliate	Cost of sales and purchases	14	-

Relationship		Transaction	2010	2009
AMCO Co., Ltd.	Affiliate	Cost of sales and purchases	311	-
Cosmo Industrial Co., Ltd.	Affiliate	Cost of sales and purchases	6,303	25,689
		Outsourcing costs	419	-
PLS Co., Ltd.	Affiliate	Sales and other income	3,129	-
GS Neotek Co., Ltd.	Affiliate	Sales and other income	26	58
		Cost of sales and purchases	8,820	6,437
		Outsourcing costs	158,483	147,867
		Other expenses	948	1,095
GS Nextation Co., Ltd.	Affiliate	Sales and other income	65	-
		Cost of sales and purchases	21	-
		Other expenses	36	-
GS Caltex Co., Ltd.	Affiliate	Sales and other income	418,741	718,006
		Cost of sales and purchases	3,490	1,070
		Other expenses	4,316	4,062
Oksan Ochang Highway Corporation	Affiliate	Sales and other income	1,822	-
Others		Sales and other income	7,036	7,829
		Cost of sales and purchases	6,754	141
		Other expenses	191	218
Total		Sales and other income	₩ 659,450	₩ 825,182
		Cost of sales and purchases	₩ 182,948	₩ 158,413
		Outsourcing costs	₩ 174,857	₩ 169,630
		Other expenses	₩ 47,662	₩ 45,743

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Outstanding balances of accounts and notes receivable with related parties as of December 31, 2010 and 2009 are as follows (Korean won in millions):

Relationship		Accounts	2010	2009
Major Development Co., Ltd.	Equity method investee	Trade accounts and notes receivable	₩ 172,231	₩ 60,212
		Other receivables	-	6,361
Sacheon Resort Co., Ltd.	Equity method investee	Trade accounts and notes receivable	7,146	5,817
		Other receivables	579	-
GS E&C Thai Co., Ltd.	Equity method investee	Other receivables	5	3,658
GS PP Development Co., Ltd.	Equity method investee	Other receivables	189,519	194,139
LG Properties (S'pore) Pte. Ltd.	Equity method investee	Other receivables	19,290	19,662
BSM Co., Ltd.	Subsidiary	Other receivables	22	-
GS O&M Co., Ltd.	Subsidiary	Other receivables	1,003	1,010
Parnas Hotel Co., Ltd.	Subsidiary	Long-term guarantee deposits	62	62
		Other receivables	253	-
GS (Cambodia)	Subsidiary	Other receivables	451	287
Development Co., Ltd.				
GS Construction	Subsidiary	Other receivables	10,265	2,504
Arabia Co., Ltd.				
GS Construction	Subsidiary	Other receivables	266	-
Saudi Co., Ltd.				
GS Cu Chi Development	Subsidiary	Trade accounts and notes receivable	3,356	-
One-member LLC		Other receivables	255	160
GS E&C India Private Ltd.	Subsidiary	Other receivables	2,715	2,775
GS E&C Nanjing	Subsidiary	Other receivables	486	221
GS Global Bio Co., Ltd.	Subsidiary	Other receivables	1,330	1,428
GS Nha Be Development	Subsidiary	Other receivables	27,883	4,683
One-member LLC				
GS Saigon Development	Subsidiary	Trade accounts and notes receivable	48,691	-
One-member LLC		Other receivables	7,558	7,150
Sungsan	Affiliate	Trade accounts and notes receivable	5,019	552
Group Corporation				
Sungsan Leisure Inc.	Affiliate	Long-term guarantee deposits	600	-
Oksan Ochang	Affiliate	Trade accounts and notes receivable	1,822	-
Highway Corporation				
Eun Pyeong	Affiliate	Trade accounts and notes receivable	521	-
New Road Corp.				
Uijeongbu LRT Co., Ltd.	Affiliate	Trade accounts and notes receivable	43,801	-
		Other receivables	93	-
GS Retail Co., Ltd.	Affiliate	Trade accounts and notes receivable	98	4,400
		Other receivables	-	215
GS Co., Ltd.	Affiliate	Trade accounts and notes receivable	758	-
		Long-term guarantee deposits	11,611	10,720
PLS Co., Ltd.	Affiliate	Trade accounts and notes receivable	1,519	-
GS Neotek Co., Ltd.	Affiliate	Other receivables	4,802	1,371
GS Caltex Co., Ltd.	Affiliate	Trade accounts and notes receivable	1,104	41,412
		Other receivables	7	5
Others		Trade accounts and notes receivable	1,376	1,588
		Long-term guarantee deposits	4	2
		Other receivables	770	1,187

Relationship		Accounts	2010	2009
Total		Trade accounts and notes receivable	₩ 287,442	₩ 113,981
		Long-term guarantee deposits	₩ 12,277	₩ 10,784
		Other receivables	₩ 267,552	₩ 246,816
Provision for bad debts		Trade accounts and notes receivable	₩ 4,370	₩ 1,083
		Other receivables	₩ 87,452	₩ 68,066
Bad debt expense (reversal of bad debt)		Trade accounts and notes receivable	₩ 3,286	₩ 386
		Other receivables	₩ 19,386	₩ 65,245

Outstanding balances of accounts and notes payable with related parties as of December 31, 2010 and 2009 are as follows (Korean won in millions):

Relationship		Accounts	2010	2009
GL Project Financing	Equity method investee	Other payable	₩ 8,602	₩ -
Vehicle 1 Limited				
EzVille Inc.	Subsidiary	Trade account and notes payable	26,984	18,604
		Membership guarantee deposits	31	31
		Other payable	33	-
BSM Co., Ltd.	Subsidiary	Trade account and notes payable	548	360
Sanglak Food Co., Ltd.	Subsidiary	Trade account and notes payable	647	35
XI Service Co., Ltd.	Subsidiary	Trade account and notes payable	-	2
		Advances from construction contract	-	12
		Leasehold guarantee deposits received	60	60
		Other payable	-	35
GCS Plus Co., Ltd.	Subsidiary	Other payable	5,374	4,968
GS O&M Co., Ltd.	Subsidiary	Trade account and notes payable	1,515	1,790
		Other payable	97	-
Estech Estimate Corp.	Subsidiary	Other payable	411	1,149
Parnas Hotel Co., Ltd.	Subsidiary	Trade account and notes payable	-	247
		Membership guarantee deposits	1,400	400
		Other payable	-	6
Samyang Int'l Co., Ltd.	Affiliate	Trade account and notes payable	3,391	9,280
		Membership guarantee deposits	147	147
		Other payable	-	2
Sungsan Group	Affiliate	Membership guarantee deposits	311	165
Corporation				
GS Global Corp.	Affiliate	Trade account and notes payable	2,878	-
GS Netvision Co., Ltd.	Affiliate	Trade account and notes payable	55	51
		Other payable	-	46
ITMEXSYI	Affiliate	Trade account and notes payable	260	-
		Membership guarantee deposits	37	-
		Other payable	221	-
GS teleservice Co., Ltd.	Affiliate	Membership guarantee deposits	345	345
GS Home Shopping Inc.	Affiliate	Membership guarantee deposits	1,511	1,511
Cosmo Leports Co., Ltd.	Affiliate	Other payable	6	-

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Relationship		Accounts	2010		2009	
Haeyang City Gas Co., Ltd.	Relationship	Trade account and notes payable	₩	24	₩	-
Central Motors Corp.	Affiliate	Other payable		8		-
Maruman Korea Co., Ltd.	Affiliate	Other payable		64		-
GS Retail Co., Ltd.	Affiliate	Trade account and notes payable		1,169		1,132
		Leasehold guarantee deposits received		-		76,400
		Membership guarantee deposits		3,325		3,325
		Other payable		114		214
GS Sports Co., Ltd.	Affiliate	Other payable		110		-
GS Co., Ltd.	Affiliate	Membership guarantee deposits		2,825		2,454
		Other payable		86		168
GS EPS Co., Ltd.	Affiliate	Membership guarantee deposits		857		300
GS Fuelcell Co.Ltd.	Affiliate	Trade account and notes payable		24		-
		Other payable		147		-
Cosmo Industrial Co., Ltd.	Affiliate	Trade account and notes payable		3,265		7,516
Cosmo Chemical Co., Ltd.	Affiliate	Membership guarantee deposits		66		66
		Other payable		1,492		1,494
GS Neotek Co., Ltd.	Affiliate	Trade account and notes payable		62,502		18,773
		Membership guarantee deposits		1,616		1,616
		Other payable		106		24,277
GS Caltex Co., Ltd.	Affiliate	Trade account and notes payable		88		84
		Advances from construction contract		25,000		4,483
		Membership guarantee deposits		6,675		6,675
		Other payable		30		77
Others		Trade account and notes payable		57		88
		Advances from construction contract		-		14,191
		Leasehold guarantee deposits received		-		48
		Other payable		-		4
Total		Trade account and notes payable	₩	103,407	₩	57,962
		Advances from construction contract	₩	25,000	₩	18,686
		Leasehold guarantee deposits received	₩	60	₩	76,508
		Membership guarantee deposits	₩	19,146	₩	17,035
		Other payable	₩	16,901	₩	32,440

Details of guarantees provided by the Company on behalf of related parties as of December 31, 2010 are as follows (Korean won in millions):

Related party	Financial institutions	Description	Amount
GS E&C POLAND SP.ZO.O	LG Display Poland Sp Zo.o	Guarantee for construction warranty	PLN 42,895,678
	LG Electronics Wroclaw SP Zo.o.	Guarantee for construction warranty	EUR 269,791.75
	LG CHEM Poland SP Zo.o.	Guarantee for construction warranty	PLN 2,258,000
GS Construction Arabia Co.,Ltd.	Nordea Bank Ploska S.A.	Credit guarantee	PLN 1,026,000
	Saudi Arabian Oil Company	Contract performance	USD 228,000,000
	The Saudi British Bank	Credit guarantee	SAR 42,800,000
		Credit guarantee	SAR 10,800,000
	Woori Bank Co., Ltd. Branch in Bahrain	Credit guarantee	USD 15,600,000
GS E&C ITALY S.R.L	Servizi Assicurativi del Commercio Estero	Contract performance	USD 167,080,417.26
GS Saigon Development One-member LLC	Australia and New Zealand Banking Group andBank of Nova Scotia Asia Limited, Natixis	Guarantee for liabilities	USD 90,000,000
	HSBC	Guarantee for liabilities	USD 30,000,000
GS Cu Chi Development One-member LLC	The Korea Development Bank	Guarantee for liabilities	USD 29,000,000
GS (Cambodia) Development Co., Ltd.	Australia and New Zealand Banking Group and Bank of Nova Scotia Asia Limited	Guarantee for liabilities	USD 50,000,000
GS E&C Construction Canada Ltd.	Harvest Operations Corp.	Contract performance	CAD 199,797,030
Uijeongbu LRT Inc.	KB Co., Ltd. and 7 other companies	Offering pledge	27,246
		Payment guarantee	86,526
Major Development Co., Ltd.	Samsung Life Insurance Co., Ltd. and 2 other companies	Payment guarantee	156,057
Sacheon Resort Co., Ltd.	DongYang Financial Complex Co., Ltd.	Payment guarantee	21,062
GL Project Financing Vehicle 1 Limited	NH Investment & Securities Co., Ltd. and 6 other companies	Payment guarantee	569,000

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The Company has provided promissory notes and checks to various financial institutions as performance guarantee in connection with construction performance and other related performance guarantees for its related parties.

Details of guarantee and collateral provided to the Company by any subsidiaries of related parties as of December 31, 2010, are as follows:

Guarantee received from	Guaranteed amount	Financial institution	Description of guarantee
Related paries: GS E&C Construction Canada Ltd.	CAD 111,614,300	Harvest Operation Corp.	Contract performance

18. Capital stock

There is no change in capital stock of the Company during the years ended December 31, 2010 and 2009. Details of capital stock of the Company as of December 31, 2010 and 2009 are as follows:

Number of shares authorized	: 200,000,000 shares
Par value per share	: ₩5,000
Number of common shares issued	: 51,000,000 shares in 2010 and 2009

19. Treasury stock

As of December 31, 2010, the Company holds 1,521,151 shares of common stock with carrying amount of ₩83,503 million, which was repurchased by the Company to stabilize its stock price. The repurchased shares are recognized as equity adjustments. In case of repurchase of treasury stock from the fund in which the Company's stock is included, the amount of treasury stock is recorded lesser of fair value of treasury stock or fair value of treasury fund.

20. Capital surplus and equity adjustments

Details of capital surplus and equity adjustments of the Company as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010	2009
Capital surplus		
Paid-in capital in excess of par value	₩ 109,735	₩ 109,735
Other capital surplus:		
Asset revaluation surplus (*1)	75,192	75,192
Gain on merger (*2)	15,002	15,002
Gain on disposal of treasury stock	11,859	11,492
Capital surplus in equity method (*3)	27,847	27,847
	₩ 239,635	₩ 239,268
Equity adjustments		
Treasury stock	₩ (83,503)	₩ (83,053)
Other equity adjustments: Capital adjustment in equity method (*3)	(3,523)	(3,180)
	₩ (87,026)	₩ (86,233)

(*1) In accordance with the prior Korean Assets Revaluation Act, the Company revalued certain of its property and equipment as of July 1, 1998, resulting in a gain on revaluation of ₩34,287 million and ₩33,833 million being transferred to revaluation surplus, net of revaluation tax. The total balance of revaluation surplus amounting ₩75,192 million as of December 31, 2010 includes revaluation surplus amounting to ₩41,359 million carried forward from revaluation carried out prior to 1998.

(*2) The Company merged with LG Engineering Co., Ltd. on August 1, 1999 and recognized this gain on merger as other capital surplus in accordance with KFAS Article 90 - Merger and Acquisition.

(*3) The Company recognized positive and negative investment differences between the additional costs of investments in subsidiaries and fair value of identifiable net assets acquired as capital surplus in equity method valuation and equity adjustment in equity method valuation, respectively.

21. Retained earnings

Retained earnings of the Company as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010	2009
Appropriated:	₩ 68,339	₩ 63,339
Legal reserve	347,849	282,849
Financial structure improvement reserve	584,653	494,653
Business rationalization reserve	480,000	393,333
Research and human resources development reserve	609,500	522,500
Other reserves	2,090,341	1,756,674
Unappropriated	408,201	384,076
	₩ 2,498,542	₩ 2,140,750

Legal reserve

In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of paid-in capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

Financial structure improvement reserve

The Korean Financial Control Regulation for listed companies requires that an amount equal to at least 10% of net income, plus a 50% of net gain, if any, on extraordinary disposal of property, plant and equipment (after related income taxes), be appropriated as reserve for improvement of financial position until the ratio of equity to total assets equals 30%. Effective from December 2008, such reserve is no longer required by the revised Korean Tax Incentives Limitation Law (TILL).

Business rationalization reserve

Prior to December 2004, in accordance with the TILL, the amounts of tax credits or exemptions taken under this law were appropriated as a reserve for business rationalization. Such reserve could not be utilized for cash dividends but could be used to offset an accumulated deficit, if any, or be transferred to paid-in capital. Effective from December 2004, such reserve is no longer required by the revised TILL.

Research and human resources development reserve

Pursuant to the TILL, the reserve for research and human development are provided in order to obtain tax benefits with respect to the year for which the appropriations are proposed. These reserves may be utilized for cash dividends after the expiration of specified grace period.

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22. Accumulated other comprehensive income

Details of accumulated other comprehensive income, net of taxes, of the Company as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010		2009	
Gain on valuation of available-for-sale securities	₩	177,941	₩	216,545
Loss on valuation of available-for-sale securities		(5,563)		(15)
Credit equity adjustment in equity method		317,449		321,003
Foreign currency translation adjustments		(12,674)		(3,187)
Gain on valuation of derivative instruments		28,858		27,326
Loss on valuation of derivative instruments		(60,778)		(49,065)
Asset revaluation surplus		234,401		237,619
	₩	679,634	₩	750,226

23. Construction contracts

Details of cumulative construction revenue, cost and profit of constructions in-progress as of December 31, 2010 and 2009 are as follows (Korean won in millions):

		2010		
Activity	Work type	Cumulative construction revenue	Cumulative construction cost	Cumulative construction profit
Construction operations	Architectural operations	₩ 5,218,532	₩ (4,657,062)	₩ 561,470
	Civil operations	3,981,180	(3,539,651)	441,529
	Housing operations	5,273,427	(4,594,255)	679,172
	Plants operations	9,255,661	(8,227,285)	1,028,376
	Environment operations and power operations	1,359,897	(1,234,589)	125,308
Housing construction and sales operations		-	-	-
		₩ 25,088,697	₩ (22,252,842)	₩ 2,835,855

Construction losses arising from construction in-progress that are probable to be incurred at the completion of construction as of December 31, 2010 amounting to ₩94,656 million were recorded as provision for construction losses.

		2009		
Activity	Work type	Cumulative construction revenue	Cumulative construction cost	Cumulative construction profit
Construction operations	Architectural operations	₩ 6,439,049	₩ (5,623,760)	₩ 815,289
	Civil operations	3,367,888	(2,973,729)	394,159
	Housing operations	6,780,370	(5,827,522)	952,848
	Plants operations	7,181,014	(6,435,988)	745,026
	Environment operations and power operations	1,132,849	(1,059,185)	73,664
Housing construction and sales operations		837,424	(631,068)	206,356
		₩ 25,738,594	₩ (22,551,252)	₩ 3,187,342

Changes in balances of major construction contracts backlog for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

Project name	2010			
	Jan.1, 2010	Contract change order	Realized revenue	Dec.31, 2010
Construction of the Nakdong River restoration Project (Section 18)	₩ -	₩ 123,957	₩ (75,168)	₩ 48,789
Songdo Xi HARBOR VIEW	179,786	-	(167,143)	12,643
Uijeongbu LRT construction	61,963	5,328	(56,120)	11,171
Il san Xi complex 2	241,285	40,669	(241,032)	40,922
Green Diesel Project (*)	884,438	(42,965)	(650,340)	191,133
GS SQUARE ANYANG	32,483	254,570	(92,556)	194,497
P8E C/R & Utility construction	70,574	193,320	(238,349)	25,545
Ruwais 4th NGL Project (*)	1,387,391	1,248,451	(165,438)	2,470,404
Ruwais Refinery Expansion Project (Package 2) (*)	3,588,426	(51,307)	(255,827)	3,281,292
Yerevan CCPP (*)	66,727	(780)	(59,132)	6,815
Others (*)	11,581,110	6,567,984	(5,573,047)	12,576,047
	₩ 18,094,183	₩ 8,339,227	₩ (7,574,152)	₩ 18,859,258

Project name	2009			
	Jan.1, 2009	Contract change order	Realized revenue	Dec.31, 2009
Kyongbang K-Project	₩ 67,859	₩ 60,562	₩ (128,313)	₩ 108
Il san Xi complex 2	463,826	-	(222,541)	241,285
Uijeongbu LRT construction	101,985	4,129	(44,151)	61,963
Poil Joogong Apartment reconstructions	200,922	12,698	(186,782)	26,838
Green Diesel Project (*)	1,297,667	(76,693)	(336,536)	884,438
IFC Seoul construction	215,386	-	(30,918)	184,468
Yerevan CCPP (*)	247,070	(18,761)	(161,582)	66,727
Salalah Methanol Project (*)	414,493	(34,951)	(271,414)	108,128
Sohar Aromatics Project (*)	387,751	1,861	(322,344)	67,268
Ruwais 4th NGL Train Project (*)	-	1,403,605	(16,214)	1,387,391
Ruwais Refinery Expansion Project (Package 2) (*)	-	3,594,797	(6,371)	3,588,426
Others	15,686,979	1,124,204	(5,334,040)	11,477,143
	₩ 19,083,938	₩ 6,071,451	₩ (7,061,206)	₩ 18,094,183

(*) Changes in value of contract are due to adjustments arising from changes in foreign currency exchange rates.

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The details of changes in the carrying amount of equity method investments for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010								
Project name	Accounts and notes receivable								
	Cumulative revenue realized	Cumulative billed amount	Cumulative collected amount	Billed	Non-billed	Total (*)	Other advance receipts (*)		
Construction of the Nakdong River restoration Project (Section 18)	₩ 75,168	₩ 56,063	₩ 56,063	₩ -	₩ 19,105	₩ 19,105	₩ -		
Songdo Xi HARBOR VIEW	385,357	395,660	282,346	103,011	-	103,011	-		
Uijeongbu LRT construction	153,286	111,407	111,407	-	41,879	41,879	-		
Il san Xi complex 2	548,797	589,615	318,064	230,733	-	230,733	-		
Green Diesel Project (*)	1,109,187	1,109,187	1,065,783	43,404	-	43,404	-		
GS SQUARE ANYANG	115,073	73,406	73,406	-	41,667	41,667	-		
P8E C/R & Utility construction	286,455	242,434	230,545	11,889	44,022	55,910	-		
Ruwais 4th NGL Train Project	165,438	234,144	296,095	2,699	-	2,699	133,356		
Ruwais Refinery Expansion Project (Package 2) (*)	262,198	830,841	830,841	-	-	-	568,643		
Yerevan CCPP (*)	284,384	290,448	289,122	-	-	-	4,738		
Others	21,703,354	21,398,205	19,153,489	2,232,513	80,355	2,312,869	778,268		
Total	₩ 25,088,697	₩ 25,331,410	₩ 22,707,161	₩ 2,624,249	₩ 227,028	₩ 2,851,277	₩ 1,485,005		

	2009								
Project name	Accounts and notes receivable								
	Cumulative revenue realized	Cumulative billed amount	Cumulative collected amount	Billed	Non-billed	Total (*)	Other advance receipts (*)		
Kyongbang K-Project	₩ 359,654	₩ 316,735	₩ 316,735	₩ -	₩ 42,919	₩ 42,919	₩ -		
Il san Xi complex 2	307,765	435,783	314,925	-	-	-	7,160		
Uijeongbu LRT construction	97,167	64,266	64,266	-	32,901	32,901	-		
Poil Joogong Apartment reconstructions	428,093	438,738	306,791	121,302	-	121,302	-		
Green Diesel Project	466,533	537,812	571,345	28,935	-	28,935	133,747		
IFC Seoul construction	42,959	36,971	29,851	7,121	5,988	13,108	-		
Yerevan CCPP	225,559	259,560	259,369	-	-	-	33,810		
Salalah Methanol Project	665,889	750,321	745,580	-	-	-	79,691		
Sohar Aromatics Project	1,191,681	1,256,021	1,249,864	-	-	-	58,183		
Ruwais 4th NGL Train Project	16,214	-	-	-	-	-	148,277		
Ruwais Refinery Expansion Project (Package 2)	6,371	-	-	-	-	-	529,047		
Others	21,089,160	21,721,526	20,414,624	2,078,576	-	2,078,577	704,132		
Total	₩ 24,897,045	₩ 25,817,733	₩ 24,273,350	₩ 2,235,934	₩ 81,808	₩ 2,317,742	₩ 1,694,047		

(*) The amount of receivables and advance receipts are included in trade accounts receivable and trade accounts payable as of December 31, 2010 and 2009, respectively.

Total billed amount of construction contracts for the years ended December 31, 2010 and 2009 is ₩8,100,623 million and ₩8,430,737 million, respectively, and the total collected amount of construction contracts for the years ended December 31, 2010 and 2009 is ₩7,535,626 million and ₩8,297,097 million, respectively.

Details of jointly-managed construction contracts as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010					
Project name	Period of construction	Customer	Share of contract size (amount)	Share of contract size(%)	Lead contractor	
P9-Project	2010.02.01~ 2011.12.31	LG Display Co., Ltd.	₩ 313,380	60.00%	(*)	
P8E C/R & Utility construction	2009.08.15~ 2011.06.30	LG Display Co., Ltd.	312,000	60.00%	(*)	
New Uljin Nuclear Power Plant (unit #;1,2)	2010.04.30~ 2017.04.30	Korea Hydro & Nuclear Power Co., Ltd.	272,735	25.00%	(^)	
IFC Seoul construction	2008.01.17~ 2012.02.28	AIG Global Investment Group	249,907	40.83%	(*)	
Alpensia Resort	2006.10.01~ 2011.02.28	Gwangwondo Development Corporation	239,260	62.00%	(*)	
Uijeongbu LRT civil investment business construction	2006.12.01~ 2011.08.27	Uijeongbu LRT Co., Ltd.	164,457	52.55%	(*)	
Buhang Multipurpose Dam	2006.09.30~ 2012.01.13	Korea Water Resources Corporation	149,431	60.00%	(*)	
Shinwolsung Atomic Power Plant main Facility No.1 and 2	2003.07.01~ 2013.01.31	Korea Hydro & Nuclear Power Co., Ltd.	139,321	13.50%	(@)	
Gangnam Circular highway 6-1 Stage	2002.11.28~ 2014.05.19	Gangnam Circular Highway Co., Ltd.	133,944	11.50%	(**)	
LCD P8E Enviroment Utility Construction	2009.08.15~ 2012.04.30	LG Display Co., Ltd.	129,006	60.00%	(*)	
Jungrang Advanced Sewage Treatment Plant	2009.02.13~ 2014.01.18	Seoul Metropolitan Infrastructure	127,378	50.00%	(*)	
Yeongheung Coal Fired Power Plant (Unit 5&6)	2010.04.16~ 2014.12.31	Korea South East Power Co., Ltd.	125,689	55.00%	(*)	
Construction of the Nakdong River restoration Project(Section 18)	2009.10.23~ 2011.12.24	Korea Water Resources Corporation	123,957	45.00%	(*)	
Mokpo National Road	2004.11.01~ 2012.12.18	Public Procurement Service	119,796	42.00%	(*)	
Busan-Ulsan Electric Railway	2005.12.26~ 2011.01.31	Korea Rail Network Authority	118,555	40.00%	(^)	
National Road Construction Gohyeon ~ Hadong IC2	2009.10.19~ 2016.09.11	Busan Regional Construction Management Administration	114,174	60.00%	(*)	
Incheon Free Economic Zone Young Jong Sky City 3rd Stage	2007.12.27~ 2011.06.26	Korea Land Corporation	113,689	90.00%	(*)	

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2009						
Project name	Period of construction	Customer	Share of contract size (amount)	Share of contract size(%)	Lead contractor	
IFC Seoul construction	2008.01.17 ~ 2012.02.07	AIG Global Investment Group	₩ 227,427	40.00%	[*]	
Uijeongbu LRT civil investment business construction	2006.12.01 ~ 2011.08.27	Uijeongbu LRT Co., Ltd.	159,129	52.55%	[*]	
Buhang Multipurpose Dam	2006.09.30 ~ 2012.01.12	Korea Water Resources Corporation	149,431	60.00%	[*]	
Shinwolsung Atomic Power Plant main Facility No.1 and 2	2003.07.01 ~ 2013.01.31	Korea Hydro & Nuclear Power Co., Ltd.	131,397	13.50%	[a]	
Incheon Production Base 2nd Expansion	2004.07.27 ~ 2010.07.31	Korea Gas Corporation	127,323	40.00%	[*]	
Incheon Grand Bridge	2005.06.16 ~ 2010.01.31	KODA Development Co., Ltd.	125,704	10.00%	[#]	
Mokpo National Road	2004.11.01 ~ 2012.12.18	Public Procurement Service	119,796	42.00%	[*]	
Jungrang Advanced Sewage Treatment Plant	2009.02.13 ~ 2014.01.18	Seoul Metropolitan Infrastructure	114,135	50.00%	[*]	
Incheon Free Economic Zone Young Jong Sky City 3rd Stage	2007.12.27~ 2011.06.26	Korea Land Corporation	113,689	90.00%	[*]	
Busan~Ulsan Electric Railway	2005.12.26 ~ 2010.09.30	Korea Rail Network Authority	112,921	40.00%	[^]	
Incheon Free Economic Zone Young Jong Sky City 2nd Stage	2007.12.27~ 2011.06.26	Korea Land Corporation	111,968	90.00%	[*]	
Honam High Speed Rail Section 5-3	2009.12.17 ~ 2014.01.23	Korea Rail Network Authority	96,661	60.00%	[*]	
Seongmun National Industrial Complex Section No.1	2008.06.16 ~ 2011.10.15	Korea Land Corporation	95,364	90.00%	[*]	
Taebaek line (Jecheon~Ssangyong) 1st multiple line railway construction	2004.11.25~ 2012.10.31	Korea Rail Network Authority	92,945	35.00%	[*]	
Section 3 of Samcheok Tonghae Expressway	2009.03.31 ~ 2016.03.31	Korea Expressway Corporation	92,275	90.00%	[*]	
Gangnam Circular highway 6-1 Stage	2002.11.28~ 2013.09.30	Gangnam Circular Highway Co., Ltd.	91,794	11.50%	[**]	
Kyungchun Double Track Railway Section7	1999.12.28 ~ 2010.01.31	Public Procurement Service	82,844	30.00%	[*]	

The legends represent the following representative [project owner] companies:

[*] GS Engineering & Construction Corp.

[#] Samsung C & T Corporation

[a] Daewoo Engineering & Construction Co., Ltd.

[^] Hyundai Engineering & Construction Co., Ltd.

[**] Doosan Engineering & Construction Co., Ltd.

As of December 31, 2010, the Company doesn't have housing construction and sales contracts.

Details of housing construction and sales contracts as of December 31, 2009 are as follows [Korean won in millions]:

2009						
Project name	Contract amount	Cumulative revenue realized	Cumulative collected amount	Trade receivables	Advance receipts	
Heights Xi	₩ 307,328	₩ 295,198	₩ 303,952	₩ 34	₩ 8,788	
Susaek Xi	273,214	205,638	229,930	920	25,212	
Chungla Xi	523,644	336,588	337,964	6,949	8,325	
	₩ 1,104,186	₩ 837,424	₩ 871,846	₩ 7,903	₩ 42,325	

The accounts receivable arising from construction contracts include certain amounts billed to project owners where payments are retained until all the conditions specified under the contracts are met and any construction related issues during course of construction, if any, are resolved. Retention sums on construction contracts as of December 31, 2010 and 2009 amounted to ₩80,301 million and ₩32,901 million, respectively.

24. Income taxes

For the year ended December 31, 2010, the Company is subject to corporate income taxes, including resident surtax, at the aggregate rates of 11% on taxable income of up to ₩200,000 thousand and 24.2% (22% from 2012 and thereafter) on taxable income in excess of ₩200,000 thousand.

The major components of provision for income taxes for the years ended December 31, 2010 and 2009 are as follows [Korean won in millions]:

	2010	2009
Current income taxes (*)	₩ 175,407	₩ 157,414
Deferred income taxes arising from tax effect of temporary differences	(68,607)	(57,983)
Tax effect of temporary differences recognized directly to equity	11,133	25,969
	117,933	125,400
Current income taxes recognized directly to equity	-	-
Provision for income taxes	₩ 117,933	₩ 125,400

(*) The amount of current income taxes includes additional income taxes paid and tax refunds.

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A reconciliation of provision for income taxes applicable to income before income taxes at the Korea statutory tax rate to provision for income taxes at the effective income tax rate of the Company is as follows (Korean won in millions):

	2010		2009	
Income before income taxes	₩	525,204	₩	508,200
Tax at the statutory income tax rate	₩	127,071	₩	122,960
Adjustments :				
Income not subject to tax (2010: ₩486 million, 2009: ₩576 million)		(118)		(139)
Expenses not deductible for tax purposes (2010: ₩30,509 million, 2009: ₩46,026 million)		7,383		11,138
Tax credit (*)		(14,449)		(16,289)
Others (difference in tax rate, etc.)		(1,954)		7,730
Provision for income taxes	₩	117,933	₩	125,400
Effective tax rate		22.45%		24.68%

(*) Foreign tax credit and others

Deferred income taxes reflect the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax reporting purposes.

Significant changes in tax loss carryforwards, cumulative temporary differences and deferred income tax assets and liabilities for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010				
	As of Jan. 1, 2010	Changes in tax filing	Net Changes	As of Dec. 31, 2010	Deferred income taxes
Deductible temporary differences:					
Buildings	₩ 12,954	₩ -	₩ (614)	₩ 12,340	₩ 2,715
Provision for construction losses	17,643	(1,820)	78,834	94,657	20,824
Allowance for doubtful accounts	276,539	-	81,697	358,236	83,653
Loss on foreign currency translation	138,286	-	(90,586)	47,700	11,522
Government grants	484	-	4,120	4,604	1,114
Equity method investments	91,088	-	(19,863)	71,225	15,669
Land	183	-	-	183	40
Bonus for executives	-	-	22,718	22,718	5,498
Derivative instruments	332,757	(12,444)	(23,519)	296,794	71,824
Severance and retirement benefits	105,985	-	(593)	105,392	23,186
Available-for-sale securities	24,376	-	660	25,036	5,508
Investments	1,247	-	-	1,247	274
Provision for construction warranty	61,950	-	34,192	96,142	21,151
Provision for other liabilities	126,918	-	22,761	149,679	32,929
Gain on valuation of property, plant and equipment	25,549	-	-	25,549	5,621
	₩ 1,215,959	₩ (14,264)	₩ 109,807	₩ 1,311,502	₩ 301,528
Taxable temporary differences:					
Accumulated depreciation	₩ (1,274)	₩ -	₩ 23	₩ (1,251)	₩ (275)
Appropriated retained earnings for technological development	(10,000)	-	(1,667)	(11,667)	(2,567)
Accrued income	(23,563)	-	(379)	(23,942)	(5,794)
Gain on foreign currency translation	(41,184)	(2,637)	(9,820)	(53,641)	(12,966)
Available-for-sale securities	(4,371)	-	-	(4,371)	(962)
Inventories	(47,239)	-	(4,288)	(51,527)	(12,470)
Deposits for severance and retirement benefits	(105,985)	-	593	(105,392)	(23,186)
Derivative instruments	(436,147)	(81,916)	149,732	(368,331)	(89,136)
	₩ (669,763)	₩ (84,553)	₩ 134,194	₩ (620,122)	₩ (147,356)
Deferred income taxes recognized :					
Deferred income tax assets, net	₩ 120,572	₩ (23,874)		₩ 154,172	
Deferred income tax liabilities recognized directly to equity, net	₩ (220,739)	₩ -		₩ (209,606)	
Deferred income tax liabilities recognized in statement of financial position, net	₩ (100,167)	₩ (23,874)		₩ (55,434)	₩ (68,607)

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	2010					
	As of Jan. 1, 2009	Changes in tax filing	Net Changes	As of Dec. 31, 2009	Deferred income taxes	
Deductible temporary differences:						
Buildings	₩ 14,529	₩ 859	₩ [2,434]	₩ 12,954	₩	2,850
Provision for construction losses	6,363	-	11,280	17,643		3,881
Allowance for doubtful accounts	206,363	-	70,177	276,539		64,412
Bonus stock	414	-	[414]	-		-
Loss on foreign currency translation	131,395	-	6,891	138,286		31,378
Government grants	587	-	[102]	484		117
Equity method investments	96,211	-	[5,124]	91,088		20,039
Land	183	-	-	183		40
Derivative instruments	438,986	-	[106,229]	332,757		80,527
Severance and retirement benefits	104,342	[992]	2,636	105,985		23,317
Available-for-sale securities	24,376	-	-	24,376		5,363
Investments	1,247	-	-	1,247		274
Provision for construction warranty	70,568	-	[8,619]	61,950		13,629
Provision for other liabilities	100,542	-	26,375	126,918		27,922
Gain on valuation of property, plant and equipment	25,573	-	[24]	25,549		5,621
	₩ 1,221,679	₩ [133]	₩ [5,587]	₩ 1,215,959	₩	279,370
Taxable temporary differences:						
Accumulated depreciation	₩ [1,274]	₩ -	₩ -	₩ [1,274]	₩	[280]
Appropriated retained earnings for technological development	[8,333]	-	[1,667]	[10,000]		[2,200]
Accrued income	[10,046]	-	[13,517]	[23,563]		[5,702]
Gain on foreign currency translation	[107,581]	-	66,397	[41,184]		[9,358]
Available-for-sale securities	[4,371]	-	-	[4,371]		[962]
Inventories	[46,997]	-	[241]	[47,239]		[11,432]
Deposits for severance and retirement benefits	[95,049]	-	[10,936]	[105,985]		[23,317]
Derivative instruments	[539,219]	-	103,071	[436,147]		[105,547]
	₩ [812,870]	₩ -	₩ 143,107	₩ [669,763]	₩	[158,798]
Deferred income taxes recognized :						
Deferred income tax assets, net	₩ 88,587	₩ [29]		₩ 120,572		
Deferred income tax liabilities recognized directly to equity, net	₩ [246,708]	₩ -		₩ [220,739]		
Deferred income tax liabilities recognized in statement of financial position, net	₩ [158,121]	₩ [29]		₩ [100,167]		

The Company did not recognize the deferred income tax effect for temporary differences of ₩28,528 million arising from land revaluation surplus as the Company has no firm commitment to dispose of the land.

The Company recognized fully the deferred income tax assets for all the deductible temporary differences as the aggregate amount of the total of taxable temporary differences and the expected future taxable income before reflecting tax adjustment items exceeds the total of all the deductible temporary differences.

Details of gross deferred income tax assets and liabilities as of December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010				
	Temporary differences	Reversal of temporary differences		Deferred income taxes	
	2010	2011	2012 and thereafter	Current	Non- current
Deductible temporary differences:					
Allowance for doubtful accounts	₩ 358,237	₩ 219,961	₩ 138,276	₩ 53,232	₩ 30,421
Derivative instruments	296,793	296,793	-	71,824	-
Bonus for executives	22,718	22,718	-	5,498	-
Government grants	4,604	4,604	-	1,114	-
Loss on foreign currency translation	47,700	46,753	947	11,314	208
Provision for construction warranty	96,142	-	96,142	-	21,151
Provision for other liabilities	149,678	-	149,678	-	32,929
Provision for construction loss	94,656	-	94,656	-	20,824
Severance and retirement benefits	105,392	-	105,392	-	23,186
Equity method investments	71,225	-	71,225	-	15,669
Available-for-sale securities	25,036	-	25,036	-	5,508
Investments	1,247	-	1,247	-	274
Impairment on property, plant and equipment	12,340	-	12,340	-	2,715
Loss on valuation of property, plant and equipment	25,549	-	25,549	-	5,621
Non deductible purchasing tax amount of land	183	-	183	-	40
	₩ 1,311,500	₩ 590,829	₩ 720,671	₩ 142,982	₩ 158,546
Taxable temporary differences					
Accrued interest on securities	₩ [23,942]	₩ [23,942]	₩ -	₩ [5,794]	₩ -
Derivative instruments	[368,330]	[368,330]	-	[89,136]	-
Inventories	[51,527]	[51,527]	-	[12,470]	-
Gain on foreign currency translation	[53,641]	[52,949]	[692]	[12,814]	[152]
Available-for-sale securities	[4,371]	-	[4,371]	-	[962]
Appropriated retained earnings for technological development	[11,667]	-	[11,667]	-	[2,567]
Depreciation	[1,251]	-	[1,251]	-	[275]
Deposits for severance and retirement benefits	[105,392]	-	[105,392]	-	[23,186]
Deferred income taxes recognized directly to equity	[931,148]	-	[931,148]	[52,298]	[157,308]
	₩[1,551,269]	₩ [496,748]	₩[1,054,521]	₩ [172,512]	₩ [184,450]
Net	₩ [239,769]	₩ 94,081	₩ [333,850]	₩ [29,530]	₩ [25,904]
Applicable tax rate		24.20%	22.00%		

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2009					
	Temporary differences	Reversal of temporary differences		Deferred income taxes	
	2009	2010	2011 and thereafter	Current	Non-current
Deductible temporary differences:					
Allowance for doubtful accounts	₩ 276,539	₩ 162,439	₩ 114,101	₩ 39,310	₩ 25,102
Derivative instruments	332,757	332,757	-	80,527	-
Government grants	484	484	-	117	-
Loss on foreign currency translation	138,286	43,418	94,868	10,507	20,871
Provision for construction warranty	61,950	-	61,950	-	13,629
Provision for other liabilities	126,918	-	126,918	-	27,922
Provision for construction loss	17,643	-	17,643	-	3,881
Severance and retirement benefits	105,985	-	105,985	-	23,317
Equity method investments	91,088	-	91,088	-	20,039
Available-for-sale securities	24,376	-	24,376	-	5,363
Investments	1,247	-	1,247	-	274
Impairment on property, plant and equipment	12,954	-	12,954	-	2,850
Loss on valuation of property, plant and equipment	25,549	-	25,549	-	5,621
Non deductible purchasing tax amount of land	183	-	183	-	40
	₩ 1,215,959	₩ 539,098	₩ 676,862	₩ 130,461	₩ 148,909
Taxable temporary differences					
Accrued interest on securities	₩ (23,563)	₩ (23,563)	₩ -	₩ (5,702)	₩ -
Derivative instruments	(436,147)	(436,147)	-	(105,547)	-
Inventories	(47,239)	(47,239)	-	(11,432)	-
Gain on foreign currency translation	(41,184)	(13,500)	(27,684)	(3,267)	(6,091)
Available-for-sale securities	(4,371)	-	(4,371)	-	(962)
Appropriated retained earnings for technological development	(10,000)	-	(10,000)	-	(2,200)
Depreciation	(1,274)	-	(1,274)	-	(280)
Deposits for severance and retirement benefits	(105,985)	-	(105,985)	-	(23,317)
Deferred income taxes recognized directly to equity	(1,003,363)	-	(1,003,363)	-	(220,739)
	₩(1,673,126)	₩ (520,449)	₩(1,152,677)	₩ (125,948)	₩ (253,589)
Net	₩ (457,167)	₩ 18,649	₩ (475,816)	₩ 4,513	₩ (104,680)
Applicable tax rate		24.20%	22.00%		

The tax effects relating to the components of other comprehensive income and other equity items recognized directly in equity for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010	
	Pretax amount	Tax effect
〈 Recognized in deferred income taxes 〉		
Loss on valuation of available-for-sales securities	₩ 7,132	₩ 1,569
Debit equity adjustments in equity method	4,517	994
Gain on valuation of available-for-sales securities	(234,225)	(56,284)
Credit equity adjustment in equity method	(406,987)	(89,537)
Gain on disposal of treasury stock	(6,293)	(1,384)
Capital surplus	(35,702)	(7,854)
Loss on valuation of derivative instruments	77,921	17,143
Gain on valuation of derivative instruments	(36,998)	(8,140)
Asset revaluation surplus	(300,513)	(66,113)
	₩ (931,148)	₩ (209,606)
2009		
	Pretax amount	Tax effect
〈 Recognized in deferred income taxes 〉		
Loss on valuation of available-for-sales securities	₩ 19	₩ 4
Debit equity adjustments in equity method	4,077	897
Gain on valuation of available-for-sales securities	(277,621)	(61,077)
Credit equity adjustment in equity method	(411,543)	(90,539)
Gain on disposal of treasury stock	(5,823)	(1,281)
Capital surplus	(35,702)	(7,854)
Loss on valuation of derivative instruments	62,904	13,839
Gain on valuation of derivative instruments	(35,034)	(7,707)
Asset revaluation surplus	(304,640)	(67,021)
	₩ (1,003,363)	₩ (220,739)

25. Per share amounts

The Company's per share amounts for the years ended December 31, 2010 and 2009 are computed as follows:

Basic earnings per share	2010	2009
Net income	₩ 407,270,485,094	₩ 382,800,689,798
Weighted-average number of shares of common stock outstanding (*)	49,478,849 shares	49,478,849 shares
Basic earnings per share	₩ 8,231	₩ 7,737

(*) Weighted-average number of shares of common stock outstanding

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	2010		
	Number of shares outstanding	Days	Accumulated number of shares outstanding
Number of issued shares	51,000,000	365	18,615,000,000
Purchased shares of treasury stock	(1,439,281)	365	(525,337,565)
Treasury stock fund	(81,870)	365	(29,882,550)
			18,059,779,885
			÷ 365
Weighted-average number of shares outstanding			49,478,849

	2009		
	Number of shares outstanding	Days	Accumulated number of shares outstanding
Number of issued shares	51,000,000	365	18,615,000,000
Purchased shares of treasury stock	(605,241)	365	(220,912,965)
Treasury stock trust agreement	(834,040)	56	(46,706,240)
Treasury stock	(834,040)	309	(257,718,360)
Treasury stock fund	(81,870)	365	(29,882,550)
			18,059,779,885
			÷ 365
Weighted-average number of shares outstanding			49,478,849

26. Dividends

The 2009 dividends were approved by the stockholders at the ordinary stockholders’ meeting held on March 19, 2010 and the 2010 dividends will be proposed for the stockholders’ approval at the annual ordinary stockholders’ meeting to be held on March 25, 2011.

Details of dividends declared for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Dividend per share (A)	₩ 1,000 (20%)	₩ 1,000 (20%)
Number of shares (B) (*)	49,478,849 shares	49,478,849 shares
Dividends (A x B)	₩ 49,478,849,000	₩ 49,478,849,000

(*) Treasury stocks (including treasury stock fund) as of December 31, 2010 and 2009 are deducted

The dividend payout ratio for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Dividends (A)	₩ 49,478,849,000	₩ 49,478,849,000
Net income (B)	407,270,485,094	382,800,689,798
Dividend payout ratio (A/B)	12.15%	12.93%

The dividend yield ratio for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Dividend per share (A)	₩ 1,000	₩ 1,000
Market value per share at the end of the reporting period (B)	116,000	108,500
Dividend yield ratio (A/B)	0.86%	0.92%

27. Supplementary cash flow information

Significant transactions not involving cash flows for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010	2009
Transfer of long-term investments securities to current portion	₩ 340,308	₩ -
Transfer of debentures and long-term borrowings to current portion	511,980	50,000
Transfer of construction in-progress to other property, plant and equipment	2,268	7,174
Transfer of land held for development to land	-	49,086
Transfer of short-term loans and receivables from construction contracts to land held for development	-	43,178
Transfer of long-term loans to current portion	35,258	206,246
Transfer of receivables from construction contracts to real estate investments	16,999	92,071
Transfer of advance payments to land and loans	-	24
Repayment of borrowings with land (included in real estate investments)	-	49,086
Transfer of construction-in-progress to advance payments	112	-
Reclassification of equity method investments	-	35,023
Transfer of trade accounts payable to other non-current liabilities	1,588	-

28. Insured assets

Details of insured inventories and property, plant and equipment as of December 31, 2010 are as follows (Korean won in millions):

Description	Insured assets	Insurance company	Insurance amount
Fire insurance and others	Buildings and others	LIG Insurance Co., Ltd.	₩ 849,405

In addition, vehicles of the Company are insured with automobile third party liability insurance and comprehensive insurance by LIG Insurance Co., Ltd. and other insurance companies.

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29. Commitments and contingencies

(1) As of December 31, 2010, Korea Construction Financial Corporation, other construction companies have provided guarantees amounting to ₩13,711,113 million on behalf of the Company, for its construction performance, housing construction and sales performance and construction warranty. Also, as of December 31, 2010, the Company has provided guarantees amounting to ₩3,515,497 million for other construction companies.

(2) As of December 31, 2010, the Company has provided guarantees to its foreign subsidiaries for construction performance amounting to ₩956,184 million. Also, the Export-Import Bank of Korea and others have guaranteed the performance of the Company's overseas construction projects. As of December 31, 2010, the outstanding guarantees amounted to ₩2,530,093 million.

(3) In relation to housing loans and temporary relocation cost for future tenants during the construction period, the Company has provided guarantees amounting to ₩1,890,993 million to financial institutions as of December 31, 2010. In addition, in relation to reconstruction, the Company has provided payment guarantees amounting to ₩432,074 million to reconstruction project cooperative as of December 31, 2010.

(4) As of December 31, 2010, the Company has provided payment guarantees amounting to ₩350,933 million for a company incorporated in accordance with the Private Investment Law for social overhead capital and the Company's investment securities amounting to ₩389,596 million in book value are pledged as collateral.

(5) In relation to the securitized borrowings, the Company has provided payment guarantees amounting to ₩637,768 million to Hana The Dream Second Ltd., Zeus NHK Ltd. and other parties.

(6) As of December 31, 2010, the Company has granted put-options to the financial investors of Ulsan Green Co., Ltd. and others to sell their equity rights to the Company.

(7) As of December 31, 2010, the Company has pledged 15 blank notes and 63 checks amounting to ₩277,653 million in face value and certain assets amounting to ₩61,700 million in book value to several banks and financial institutions as collateral for construction contract guarantees.

(8) The Company has been named as a defendant and a plaintiff in a number of legal claims in the normal course of business. As of December 31, 2010, the aggregate amount of these claims as a plaintiff and as a defendant amounted to ₩83,351 million (7 cases) and ₩61,738 million (57 cases), respectively. As of December 31, 2010, the ultimate outcome of these legal claims cannot be presently determined. In addition, the Company has made a provision for liability for claims that has met the criteria for provisioning where the Company has lost its first and second trials in the court that were ruled in favor of the defendants.

(9) As of December 31, 2010 and 2009, the payment guarantees the Company provided for its developer's borrowing, are as follows (Korean won in millions):

[PF related to SOC, redevelopment and reconstruction projects are disclosed separately.]

	2010		2009	
ABCP	₩	1,093,600	₩	859,600
Other PF loan		1,420,222		2,231,748
Total	₩	2,513,822	₩	3,091,348

The major PF loan, as of December 31, 2010 are as follows(Korean won in millions):

Business Area(*)	Creditor	Amount	Outstanding	Description	Period of loan	Type
Seoul	Insurance/ Securities Company	569,000	569,000	Payment guarantee	2007.12.21~ 2011.11.23	ABCP & Other Loan

(*) Refers to the area where the amount of payment guarantees exceeds 10% of the Company's equity.

30. Derivative financial instruments

Purpose, nature of risks and the Company's strategy

(1) Currency forward

The contract is entered into to hedge foreign exchange risk on the Company's construction revenue. The Company is exposed to foreign currency risk on construction accounts receivable and construction accounts payable denominated in foreign currency. The Company hedges the risk through currency forward contracts.

(2) Foreign exchange risk insurance

The contract is entered into to hedge foreign exchange risk of the Company's construction revenue. The Company is exposed to foreign currency risk of construction accounts receivable denominated in foreign currency and the risk consequently causes fluctuations in cost ratio estimated for bidding. The Company hedges the risk through foreign exchange risk insurance.

Early termination and settlement

(1) Currency forward

Early termination is allowed for currency forward and currency swap without early termination fees through early settlement with the counterparties using the interest rate or currency rate at the date of early settlement through net or gross settlement.

(2) Foreign exchange risk insurance

Early termination is allowed without early termination fees only if the causes of termination is in accordance with the terms of contract with the counterparty settlement.

Measurement method and relevant accounting treatment

(1) Measurement method

Currency forwards and foreign exchange risk insurance hedge instruments are measured using relevant interest rates and currency rates based on the Company's in-house derivative valuation system and process. Fair-value hedge and cash-flow hedge accounting treatment are applied to currency forwards and foreign exchange risk insurance contracts.

(2) Relevant accounting treatment

The Company recognized ₩36,173 million and ₩24,208 million as gain and loss, respectively on derivatives transactions in statement of income for the year ended December 31, 2010. The Company also recognized ₩88,287 million and ₩54,966 million as gain and loss on valuation of derivatives, respectively, for the year ended December 31, 2010 in the statement of income. The Company recognized ₩57,914 million and ₩118,734 million as gain and loss on valuation of firm commitments, respectively as of December 31, 2010, respectively.

The outstanding currency forward contracts as of December 31, 2010, are summarized as follows (Korean won in millions, foreign currencies in thousands):

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Long position		Short position		Number of contracts	Forward rate
Currency unit	Amount	Currency unit	Amount		
CHF	2,398	CAD	2,480	1	0.97
EUR	534	CAD	720	1	1.3483
EUR	137	SGD	238	1	1.7314
EUR	485,173	USD	663,098	43	1.2062-1.4989
EUR	11,200	WON	17,300	5	1,433.70-1,573.03
GBP	1,495	USD	2,349	5	1.5229-1.6048
JPY	2,140,173	SGD	34,079	3	61.67-64.30
JPY	11,966,569	USD	138,207	18	81.40-92.61
USD	77,801	CAD	81,600	5	1.028-1.0648
USD	125,600	WON	148,481	9	1,141.30-1,211.47
VND	138,940,788	USD	7,466	14	17,972-19,178
WON	26,186	CAD	23,017	2	1,135.43-1,139.29
WON	47,747	SGD	56,900	6	813.75-864.94
WON	2,080,559	USD	1,868,296	77	1,117.33-1,210.49

The outstanding foreign exchange risk insurance contracts with Korea Trade Insurance Corporation as of December 31, 2010 are as follows (U.S. dollars in thousands, except for exchange rate):

Counter party	Contract amount		Contracted exchange rate (KRW/foreign currency 1unit)	Date of contract	Maturity date
Korea Trade Insurance Corporation	USD	56,244	916.90 - 917.60	2007-10-31	2011-07-31
Korea Trade Insurance Corporation	USD	264,377	907.80 - 909.50	2007-08-14	2011-10-31
Korea Trade Insurance Corporation	USD	88,011	923.20 - 924.80	2007-08-31	2011-07-31
Total	USD	408,632			

Details of valuation of derivative instruments as of December 31, 2010 and 2009 are as follows (Korean won in millions):

		2010								
		Fair value			Current year valuation gain and loss			Accumulated other comprehensive income (*)		
	Hedge instrument	Derivative assets	Derivative liabilities	Gain	Loss	Total	Gain	Loss	Total	
Derivatives	Currency forward	₩ 70,208	₩ 63,854	₩ 77,959	₩ (54,966)	₩ 22,993	₩ 36,998	₩ (77,921)	₩ (40,923)	
	Foreign exchange risk insurance	-	92,115	10,328	-	10,328	-	-	-	
	Total	₩ 70,208	₩ 155,969	₩ 88,287	₩ (54,966)	₩ 33,321	₩ 36,998	₩ (77,921)	₩ (40,923)	
Firm commitment	Currency forward	₩ 84,750	₩ 27,670	₩ 53,214	₩ (98,212)	₩ (44,998)	₩ -	₩ -	₩ -	
	Foreign exchange risk insurance	84,864	-	4,700	(20,522)	(15,822)	-	-	-	
	Total	₩ 169,614	₩ 27,670	₩ 57,914	₩ (118,734)	₩ (60,820)	₩ -	₩ -	₩ -	

		2009								
		Fair value			Current year valuation gain and loss			Accumulated other comprehensive income (*)		
	Hedge instrument	Derivative assets	Derivative liabilities	Gain	Loss	Total	Gain	Loss	Total	
Derivatives	Currency forward	₩ 45,768	₩ 67,718	₩ 35,967	₩ (31,348)	₩ 4,619	₩ 35,034	₩ (53,132)	₩ (18,098)	
	Foreign exchange risk insurance	-	144,208	36,077	(105)	35,972	-	(9,772)	(9,772)	
	Currency swap	61,283	-	-	(27,262)	(27,262)	-	-	-	
	Total	₩ 107,051	₩ 211,926	₩ 72,044	₩ (58,715)	₩ 13,329	₩ 35,034	₩ (62,904)	₩ (27,870)	
Firm commitment	Currency forward	₩ 155,610	₩ 40,213	₩ 41,226	₩ (52,839)	₩ (11,613)	₩ -	₩ -	₩ -	
	Foreign exchange risk insurance	144,208	-	4,902	(45,111)	(40,209)	-	-	-	
	Total	₩ 299,818	₩ 40,213	₩ 46,128	₩ (97,950)	₩ (51,822)	₩ -	₩ -	₩ -	

(*) Before deducting deferred income taxes

Notes to the non-consolidated financial statements

December 31, 2010 and 2009

31. Donation to society

Donation to society contributed by the Company for the years ended December 31, 2010 and 2009 amounted to ₩3,240 million and ₩5,230 million, respectively.

32. Environmental consideration

The Company is committed to the strict observance of the law and maintenance of a cleaner environment. This is achieved by managing the environmental team and their programs at each site, which are dedicated to systematic and effective prohibition of pollution in the air, water and soil.

In an effort to eliminate various kinds of pollutants, the Company draws up certain goals to improve the environment. This includes continuously measuring and evaluating the effects of fuel usage by each process of its construction activities and the level of pollutant emission, noises and vibrations. For water management purposes, discharge of contaminated water within the public area or from wheel washers is kept under control below the industry standard. Other wastes are sorted out by common wastes, recyclable, inflammable, etc. before being processed by outsourced waste management companies.

Expenditures relating to environmental matters during the years ended December 31, 2010 and 2009 amounted to ₩12,507 million and ₩14,357 million, respectively.

33. Human resource development

Expenditures incurred for the development of specialization in human resources during the years ended December 31, 2010 and 2009 amounted to ₩5,225 million and ₩1,838 million, respectively.

34. Segment information

The Company has five major reportable business segments - architectural work division, civil work division, housing work division, plant work division, environment work division and power work division - with each segment representing a strategic business unit that offers different services.

Division	Main products and services	Major customers
Architecture division	Office building, factory and others	LG Display Co., Ltd. , KOCREF GS SQUARE
Civil division	Road, railway and others	Takreer, Ministry of Land, Transport and Maritime Affairs, Korea Water Corporation
Housing division	Apartment, high-rise residential building and others	DSD Samho Co., Ltd., Major Development Co., Ltd.
Plant division	Oil refinery equipment and others	Takreer, GASCO, GS Caltex Co., Ltd.
Power & environment sustainability division	Power plant, district heating and others	GDF-Suez S.A., Yerevan Thermal Power
Others	Rental and others	Unspecified

The following table presents the financial information of the Company by business segments for the years ended December 31, 2010 and 2009 (Korean won in millions):

Division	2010				
	Sales	Operating income	Property, plant and equipment, and intangible assets	Depreciation and amortization	
Architecture division	₩ 1,425,181	₩ 35,816	₩ 271,298	₩ 3,772	
Civil division	1,064,682	28,879	48,696	2,244	
Housing division	2,247,990	215,861	292,376	3,282	
Plant division	2,544,556	215,632	66,926	6,959	
Power & environment sustainability division	541,787	18,130	8,359	766	
Others	68,567	6,369	764,289	10,727	
	₩ 7,892,763	₩ 520,687	₩ 1,451,944	₩ 27,750	

Division	2009				
	Sales	Operating income (loss)	Property, plant and equipment, and intangible assets	Depreciation and amortization	
Architecture division	₩ 1,172,129	₩ 45,591	₩ 272,710	₩ 3,881	
Civil division	827,005	14,923	18,492	1,269	
Housing division	2,511,114	316,559	309,567	3,655	
Plant division	2,325,628	234,007	45,723	6,266	
Power & environment sustainability division	491,332	(31,787)	7,988	1,245	
Others	49,717	(11,368)	770,054	11,696	
	₩ 7,376,925	₩ 567,925	₩ 1,424,534	₩ 28,012	

The following table presents the sales of the Company by geographical segments for the years ended December 31, 2010 and 2009 (Korean won in millions):

	2010	2009
Domestic sales	₩ 5,687,593	₩ 5,658,846
Central Asia	1,703,250	1,275,336
China & Southeast Asia	414,476	247,985
Others	87,444	194,758
	₩ 7,892,763	₩ 7,376,925

Notes to the non-consolidated financial statements

December 31, 2010 and 2009

35. Value added information

In accordance with SKAS 21 Preparation and Presentation of Financial Statements, the “value added” items as defined by the standard, which are required to be disclosed by the Company for the years ended December 31, 2010 and 2009, are as follows (Korean won in millions):

	Construction costs		Selling and administrative expenses		Total	
	2010	2009	2010	2009	2010	2009
Labor costs	₩ 275,527	₩ 284,191	₩ 164,168	₩ 138,721	₩ 439,695	₩ 422,912
Severance and retirement benefits	27,428	28,287	16,305	13,482	43,733	41,769
Employee benefits	71,158	59,923	28,213	24,309	99,371	84,232
Rental expense	36,700	39,715	21,700	16,825	58,400	56,540
Depreciation	20,903	20,634	6,519	7,048	27,422	27,682
Amortization	29	29	298	301	327	330
Taxes and dues	45,777	35,773	7,982	10,837	53,759	46,610
	₩ 477,522	₩ 468,552	₩ 245,185	₩ 211,523	₩ 722,707	₩ 680,075

36. Operating results of the final interim period (unaudited)

Summary of operating results (unaudited) for the three months ended December 31, 2010 and 2009 are as follows (Korean won in millions, except per share amounts):

	Unaudited Three months ended December 31	
	2010	2009
Sales	₩ 2,092,141	₩ 1,543,783
Cost of sales	1,839,329	1,330,258
Gross profit	252,812	213,525
Operating income	110,405	93,044
Net income	87,802	104,271
Earnings per share	₩ 1,775	₩ 2,107

37. Comprehensive income

The details of comprehensive income for the years ended December 31, 2010 and 2009 are as follows (Korean won in millions):

	2010	2009
Net income	₩ 407,270	₩ 382,801
Other comprehensive income (loss):		
Gain on valuation of available-for-sale securities (Income tax effect : 2010 : ₩4,793, 2009 : ₩(209))	(38,604)	744
Loss on valuation of available-for-sale securities (Income tax effect : 2010 : ₩1,565, 2009 : ₩(330))	(5,548)	1,172
Credit equity adjustment in equity method (Income tax effect : 2010 : ₩1,002, 2009 : ₩23,045)	(3,554)	(81,704)
Gain (loss) on translation of foreign currency	(9,487)	1,317
Gain on valuation of derivative instruments (Income tax effect : 2010 : ₩(432), 2009 : ₩(218))	1,532	(770)
Loss on valuation of derivative instruments (Income tax effect : 2010 : ₩3,304, 2009 : ₩3,521)	(11,713)	(12,484)
Asset revaluation surplus (Income tax effect : 2010 : ₩908, 2009 : ₩132)	(3,218)	(470)
Comprehensive income	₩ 336,678	₩ 290,606

Internal control over financial reporting review report



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**The Chief Executive Officer
GS Engineering & Construction Corporation**

We have reviewed the accompanying management’s report on the operations of the internal control over financial reporting (“ICFR”) of GS Engineering & Construction Corporation (the “Company”) as of December 31, 2010. The Company’s management is responsible for the design and operations of its ICFR, including the reporting of its operations. Our responsibility is to review management’s ICFR report and issue a report based on our review. Management’s report on the operations of the ICFR of the Company states that “Based on the assessment of the operations of the ICFR, the Company’s ICFR has been effectively designed and has operated as of December 31, 2010, in all material respects, in accordance with the ICFR standard.”

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management’s report on the operations of the ICFR. A review includes the procedures of obtaining an understanding of the ICFR, inquiring as to management’s report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary.

A company’s ICFR consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

Based on our review of management’s report on the operations of the ICFR, nothing has come to our attention that causes us to believe that management’s report referred to above is not presented fairly, in all material respects, in accordance with the ICFR standards.

We conducted our review of the ICFR in place as of December 31, 2010, and we did not review the ICFR subsequent to December 31, 2010. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Stock Companies, and may not be appropriate for other purposes or for other users.

February 22, 2011

This report is annexed in relation to the audit of the financial statements as of December 31, 2010 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Report on the operations of the internal control over financial reporting



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**The Board of Directors and internal auditor (Audit Committee) of
GS Engineering & Construction Corporation**

I, as the internal control over financial reporting officer (“ICFR Officer”) of GS Engineering & Construction Corporation (“the Company”), assessed the status of the design and operations of the Company’s internal control over financial reporting (“ICFR”) for the year ended December 31, 2010.

The Company’s management including the ICFR Officer is responsible for the design and operations of its ICFR. I, as the ICFR Officer, assessed whether the ICFR has been effectively designed and has operated to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes. I, as the ICFR Officer, applied the ICFR standards for the assessment of design and operations of the ICFR.

Based on the assessment of the operations of the ICFR, the Company’s ICFR has been effectively designed and has operated as of December 31, 2010, in all material respects, in accordance with the ICFR standard (name of other standard, if used).

February 22, 2011

Myung-Soo Huh
Chief Executive Officer or President

Tae-Jin Kim
Internal Control over Financial Reporting Officer

GS E&C’s sustainability performance

Economic performance

Indicator	Unit	2008	2009	2010
Sales	Billion KRW	6,866	7,377	7,893
Plant	Billion KRW	652	833	1,074
Housing	Billion KRW	2,082	2,341	2,567
Civil Engineering	Billion KRW	391	495	546
Architecture	Billion KRW	1,265	1,180	1,438
Power & Environment	Billion KRW	2,423	2,528	2,268
Order backlogs	Billion KRW	12,231	12,862	14,105
Plant	Billion KRW	1,130	2,547	1,107
Housing	Billion KRW	5,330	6,087	5,789
Civil Engineering	Billion KRW	403	531	2,008
Architecture	Billion KRW	1,071	1,284	2,198
Power & Environment	Billion KRW	4,297	2,413	3,003
Net income	Billion KRW	382	383	407
Total assets	Billion KRW	8,182	8,946	9,338
Dividends	Billion KRW	24.74	49.48	49.48
Corporate tax	Billion KRW	167	125	118

Social performance

Indicator	Unit	2008	2009	2010
Number of employees	Number of people	6,435	5,803	5,483
Full-time	Number of people	4,351	4,248	4,549
Part-time	Number of people	2,084	1,555	934
Voluntary retirement rate	%	4.63	4.06	3.60
Employment rate of people with disability	%	0.52	0.62	0.69
Percentage of female managers	%	1.12	1.26	1.90
Accident rate	%	0.13	0.19	0.12
Time spent on education and training for employees	Hours	779,599	591,829	679,111
Amount of education and training expense	0.1 billion KRW	59	20	53
Employee benefits	0.1 billion KRW	395.09	437.74	449.61
Members of labor union	Number of people	750	762	871
Employee satisfaction level	Points (out of 100)	61	61	60
Customer satisfaction level	Points (out of 100)	70.41	71.68	71.41
Disciplinary actions against violation of business ethics	Number of cases	10	25	5
Social contribution expense	0.1 billion KRW	-	75.61	94.03
R&D investment	0.1 billion KRW	660.6	734.2	690.9
Number of valid patents	-	101	124	146
Number of researches carried out	-	51	66	78
Number of new technologies	-	6	9	8

Environmental performance

Indicator	Unit	2008	2009	2010
Resource consumption	-	-	-	-
Ready-mixed concrete	m³	3,603,743	3,248,417	2,236,448
Cement	ton	338,087	327,029	183,778
Aggregate	m³	848,619	814,948	1,012,474
Asphalt concrete	ton	761,717	4,156,482	1,959,813
Sand	m³	554,916	236,859	1,517,745
Reinforcing bar	ton	546,923	460,914	395,044
Gypsum board	m³	5,425,316	6,591,191	3,324,068
Recycled aggregate consumption	m³	27,834	23,388	60,371
Water use	m³	1,528,634	1,387,087	1,023,569
Water supply (piped)	m³	663,030	545,764	590,157
Groundwater	m³	425,404	384,744	293,073
River water	m³	440,200	456,579	140,339
Energy use	TJ	2,253.70	2,663.14	2,684.27
LNG	TJ	23.26	21.24	25.49
Propane	TJ	47.95	75.64	21.78
Kerosene	TJ	65.53	65.50	58.61
Diesel	TJ	1,479.43	1,766.14	1,977.27
Gasoline	TJ	35.21	37.64	39.39
Electricity	TJ	602.32	696.98	561.21
Other	TJ	-	-	0.52
Waste generated	ton	617,371	496,758	163,610
Waste concrete	ton	332,440	256,560	89,825
Waste asphalt concrete	ton	62,211	34,203	13,742
Construction waste soil and stones	ton	112,465	84,796	4,900
Mixed construction waste	ton	79,781	107,847	46,554
Waste synthetic resin	ton	10,709	4,854	3,959
Waste wood	ton	19,353	7,341	4,400
Construction sludge	ton	411	1,157	230
Asbestos emission	ton	-	-	200.8
Wastewater discharged	m³	-	-	753,380
Greenhouse gas emission	tCO ₂ -e	201,633.81	237,290.60	237,534.96
Scope 1	tCO ₂ -e	19,756.97	20,863.72	18,496.09
Scope 2	tCO ₂ -e	78,473.12	90,804.23	73,093.63
Scope 3	tCO ₂ -e	103,403.72	125,622.65	145,945.24
Environmental control cost	Million KRW	8,400	4,556	4,865
Green procurement cost	0.1 billion KRW	735.57	881.05	567.97
Environmental dispute	Number of cases	11	10	7
Environmental accident	Number of cases	12	24	10
Grievance mediation cost	0.1 billion KRW	21	11.3	15
Environmental education completed	Number of people	-	-	5,785

Global Network

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Three-year Summary

Balance Sheet			
	2010	2009	2008
Current assets	6,552	5,894	4,928
Non-Current assets	2,786	3,052	3,254
Total assets	9,338	8,946	8,182
Current liabilities	4,587	4,194	3,789
Non-Current liabilities	1,165	1,453	1,358
Total liabilities	5,752	5,647	5,147
Paid-in capital	255	255	255
Capital surplus	240	239	237
Capital adjustments	-87	-86	-82
Accumulated other comprehensive income	680	750	842
Retained earnings	2,499	2,141	1,783
Shareholders' equity	3,586	3,299	3,035
Total liabilities & shareholders' equity	9,338	8,946	8,182

Income Statement			
	2010	2009	2008
Sales	7,893	7,377	6,866
Cost of sales	6,882	6,422	5,953
Gross profit	1,011	955	913
SG&A	490	387	435
Operating profit	521	568	478
Non-operating income	493	557	1,200
Non-operating expense	489	617	1,129
Ordinary income	525	508	549
Income tax expense	118	125	167
Net profit	407	383	382

Cash Flow			
	2010	2009	2008
Cash flows from operating activities	202	551	619
Cash flows from investing activities	-198	-111	-301
Cash flows from financing activities	-72	245	62
Net change in cash and cash equivalents	-68	685	380
Cash and cash equivalents	1,445	760	380
Beginning of the year			
End of the year	1,377	1,445	760

Number of Employees			
	2010	2009	2008
At year end	5,365	4,248	4,348

Key data GS E&C 2010

Sales	
Sales	7,893
Sales by segment	
Civil Engineering	1,074
Plant	2,567
Power & Environment	546
Architecture	1,438
Housing	2,268

Earnings	
Gross Profit	1,011
Operating Profit	521
Ordinary Profit	525
Net Profit	407

Key GS E&C Share Data	
Total number of shares[issued] (Million)	51
Total market cap (Billion of Won)	5,916
Share price[high] (Won)	117,000
[low] (Won)	67,300

Per Share Information	
EPS (Won)	8,231
Dividend per share (Won)	1,000

GS E&C IR Plan 2011

2011 1Q			2011 2Q			2011 3Q			2011 4Q		
Jan.	Fed.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
		Overseas Conference & Roadshow			Analyst Meeting [Site Tour]			Analyst Meeting [Site Tour]	Overseas Roadshow		
1Q' Result Conference Call			1Q Result Conference Call			1H Result Conference Call			3Q Result Conference Call		
Domestic Roadshow			Domestic Roadshow			Domestic Roadshow			Domestic Roadshow		
	Domestic Conference	Domestic Conference		Domestic Conference	Domestic Conference						Analyst Meeting
			Annual Report								
2010 Earning Release Business Plan for 2011			1Q Earning Release			1H Earning Release			3Q Earning Release		

Overseas
Domestic
Earning Release

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