

Presentation

# Investor Relations

Doosan Infracore



# Content

1. Company Overview
2. What We're Doing Right
3. 1H Results & 2H Outlook
4. What We're Aiming

\* Financial numbers are parent basis unless stated otherwise

\* Disclaimer

2Q financial numbers included in the presentation represent statements made prior to external review by independent public accountants, and are presented here today solely for the purpose of offering investors an understanding of the company.

# Highlights

## Improving financial performance

- On apple-to-apple comparison, OP would have grown 20.7% during '04~05
- High export growth track of 27% p.a. over the past 3 years
- Stronger balance sheet : Net debt/equity ratio from 50% to 35%

## Growth driven by stronger global presence

- Market Leader in China - No. 1 market share in excavator
- Stronger global market leadership : gaining share from major regions

## Solid long term strategy

- Developed aspirational vision
- Formulated concrete mid-term strategy to realize vision
- Solid strategy implementation program in progress

## Management capability

- Proven management capability during Doosan Group's remarkable turnaround
- Deploy internal top talents and hire global new talents
- Motivate people by aligning performance with strong incentive scheme

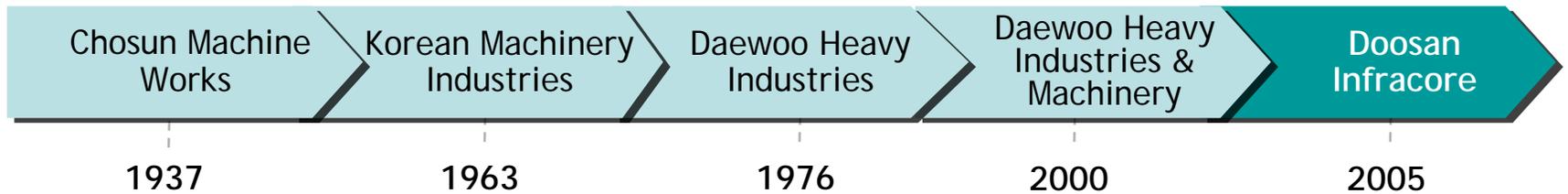
# Company Overview

Doosan Infracore

# Overview



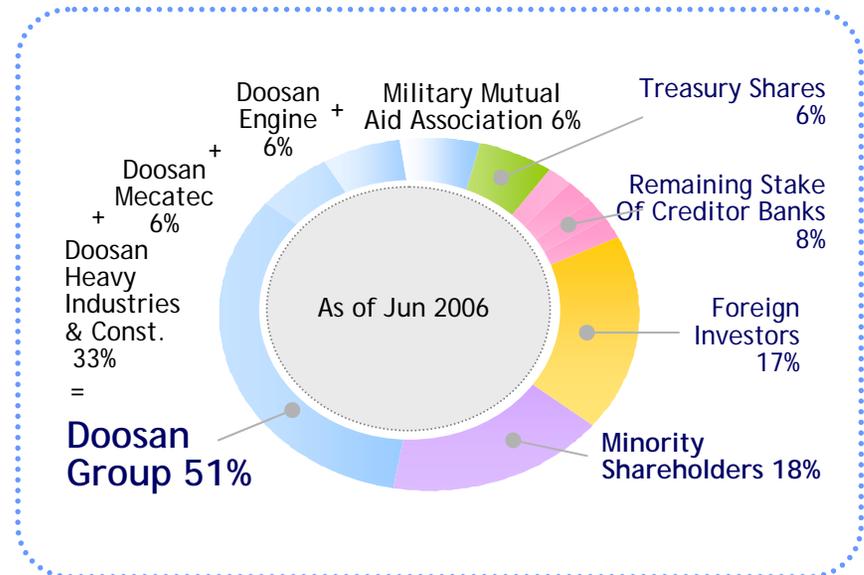
Doosan Infracore is the largest machinery company in Korea and also a leading ISB\* company in the world that has guided the development of Korea's machinery industry since its establishment in 1937



## Corporate Data

CEO	Choe, Sung-Chul
Paid-in Capital	KRW840.5 billion (As of Jun. 2006)
Outstanding Shares	168,107,384 shares
Market Capitalization	KRW2, 639.0 billion (As of Jun. 2006)
Employees	4,574 (As of Jun. 2006)

## Shareholder Structure



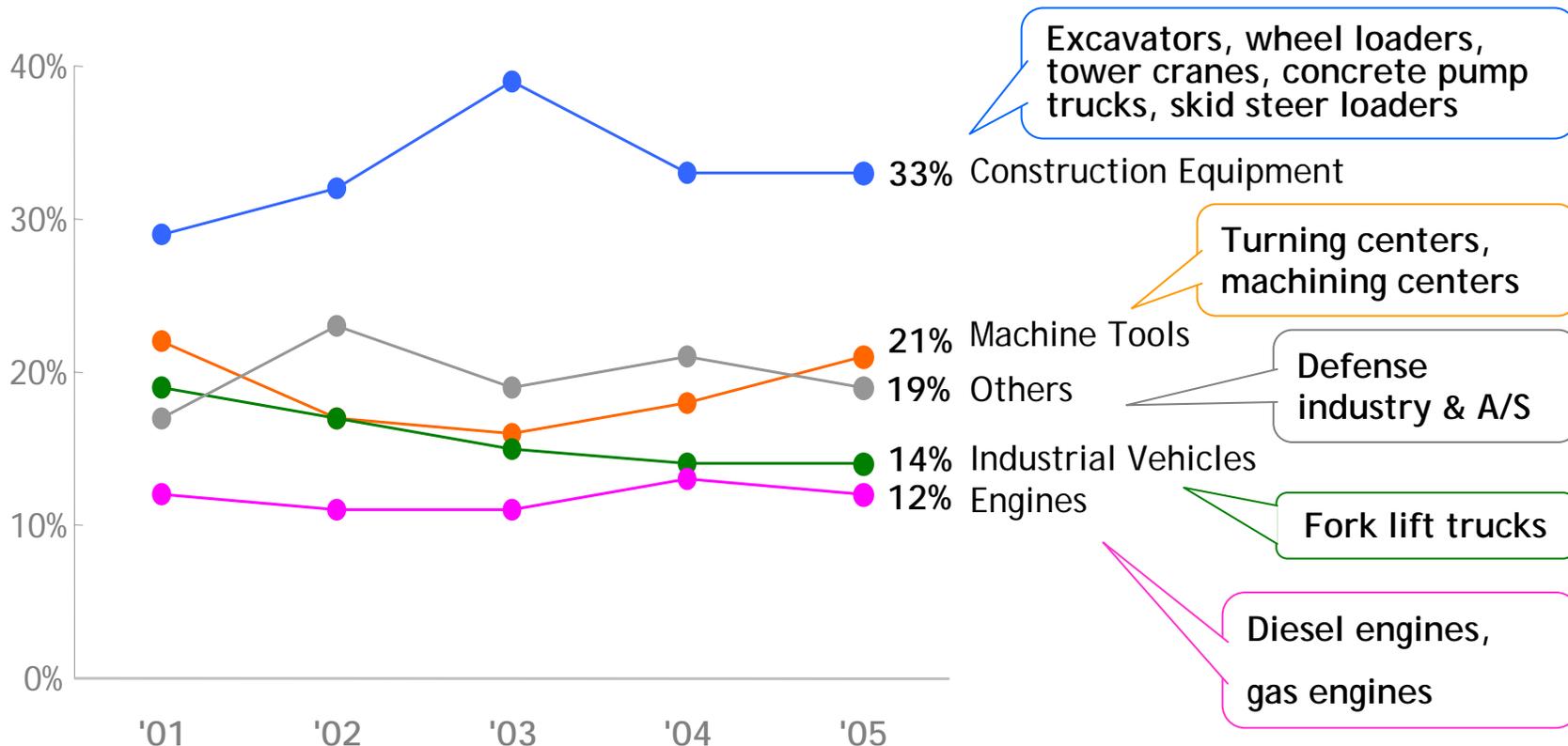
\* ISB : Infra-structure Support Business

# Business Area



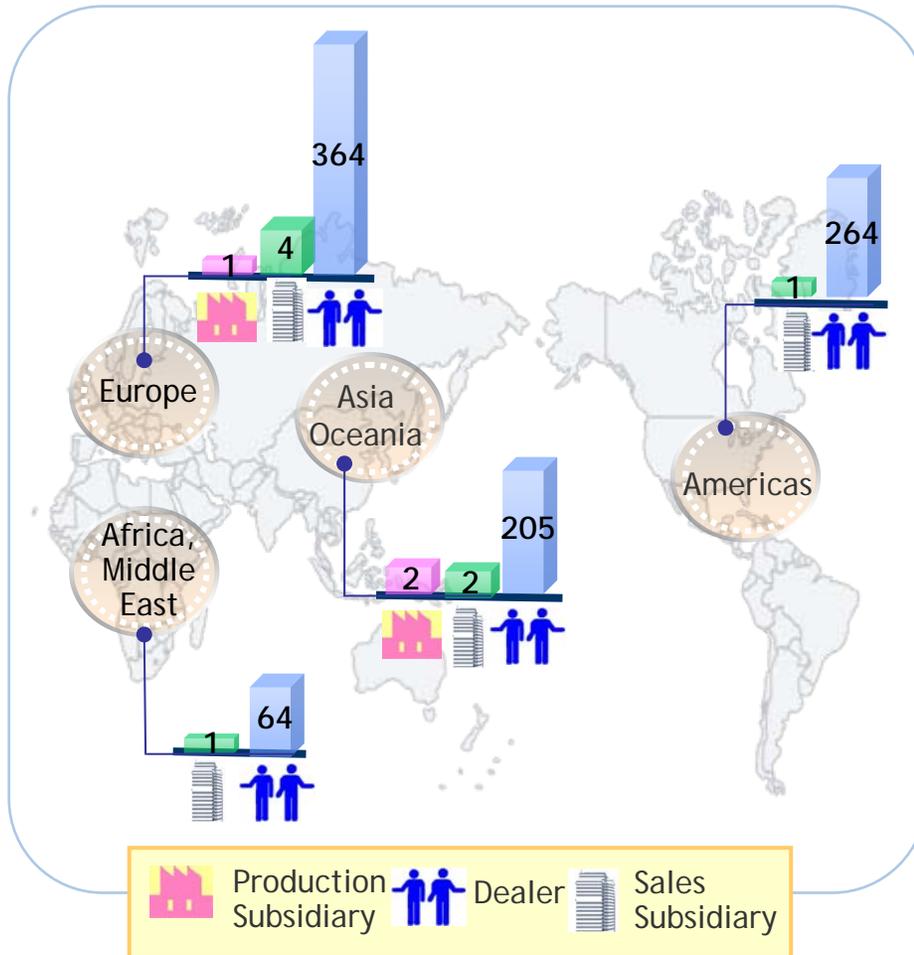
Diverse business portfolio including construction equipment, machine tools, industrial vehicles, engines and defense industry

### Sales Breakdown (01~05)



# Global Business Network

3 overseas production facilities and 8 sales subsidiaries & 897 dealership networks



Number of Dealers Per Annum

	2003	2004	2005
Construction Equipment	126	139	233
Machine Tools	128	134	145
Industrial Vehicles	371	376	401
Engines	84	99	118
<b>Total</b>	<b>709</b>	<b>748</b>	<b>897</b>

# What We're Doing Right

Doosan Infracore

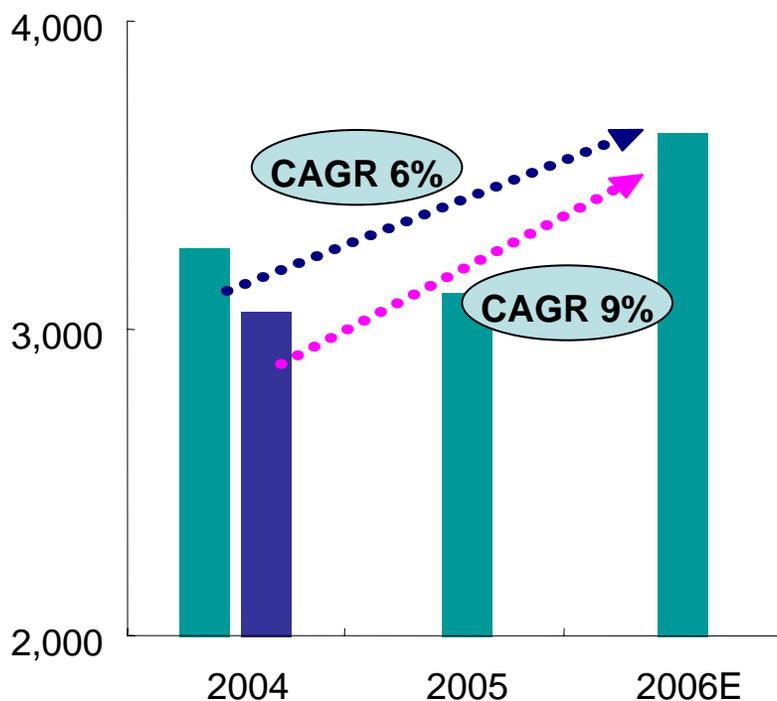
# Greater Profitability (Parent + Subsidiaries)

Unit : KRW billion

## Sales '04~'06

Exclusive of accounting policy change in 2004, sales growth would have been higher at CAGR 9%

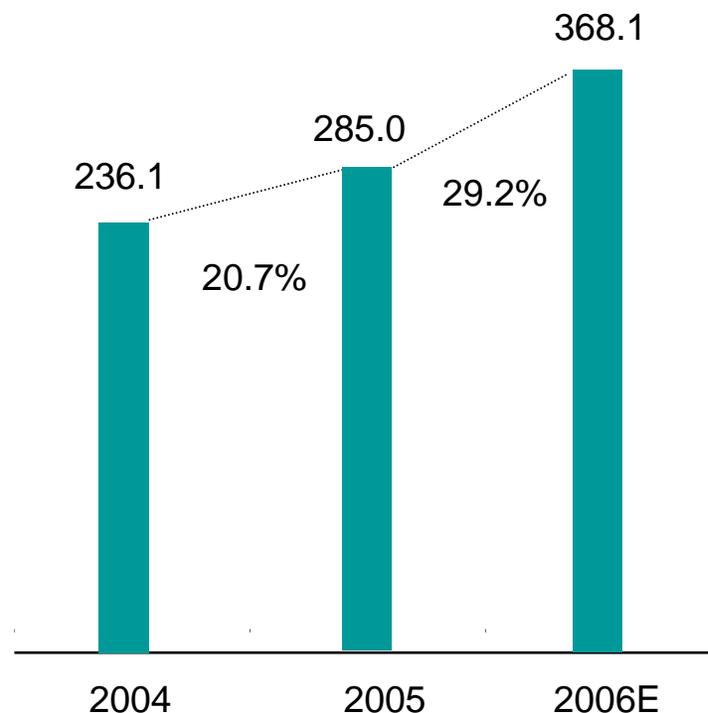
- Sales Reflective of Accounting Policy Change
- Sales Retroactively Applying Change in Accounting Policy



## Operating Profit '04~'06

Without the presence of PMI costs, operating profit would have been on a steady uptrend

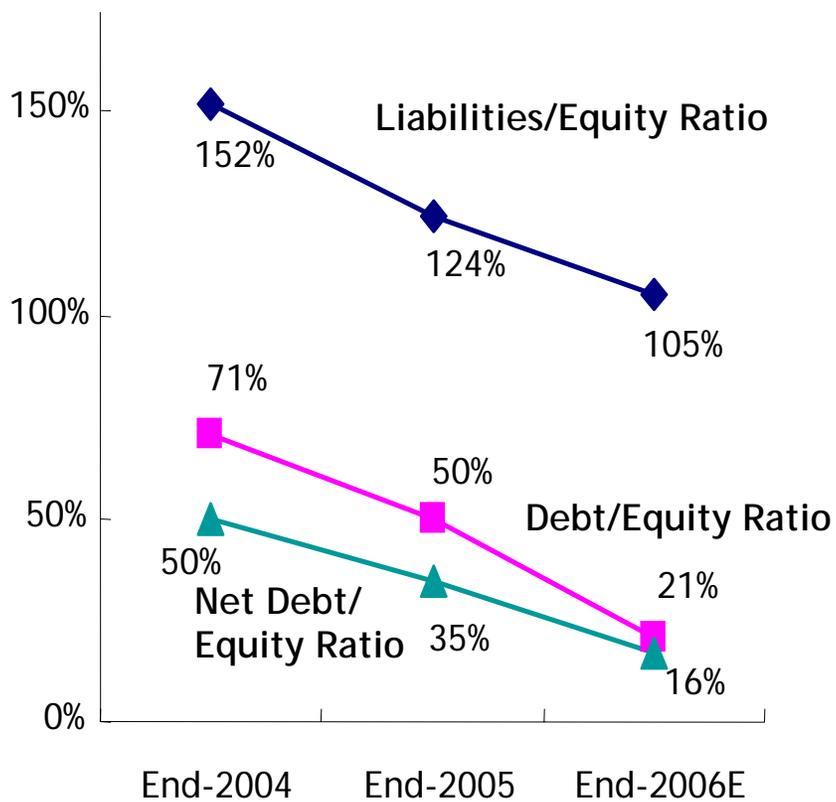
- Apple-to-apple comparison - OP inclusive of PMI costs



# Improved Financials (Parent Basis)

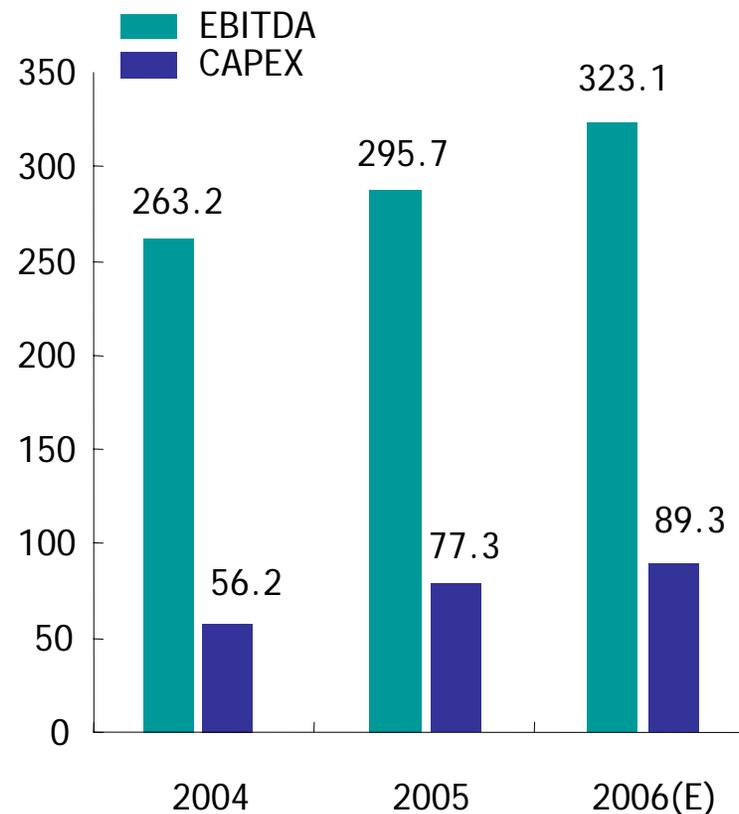
Unit : KRW billion

## Net Debt Trend



Note : Not considering M&A activities

## EBITDA & CAPEX Trend



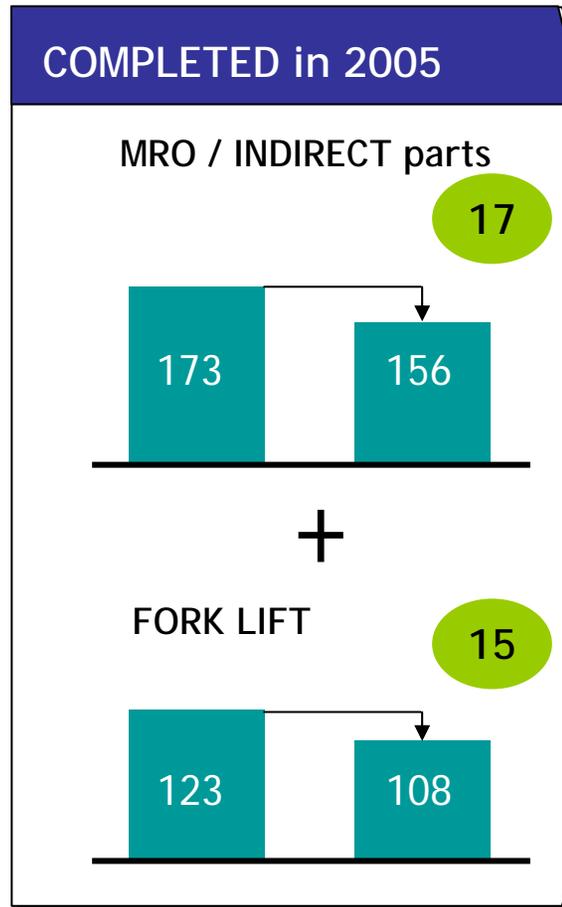
Note : Apple-to-apple comparison - EBITDA inclusive of PMI costs

# Cost Reduction from Operational Innovation

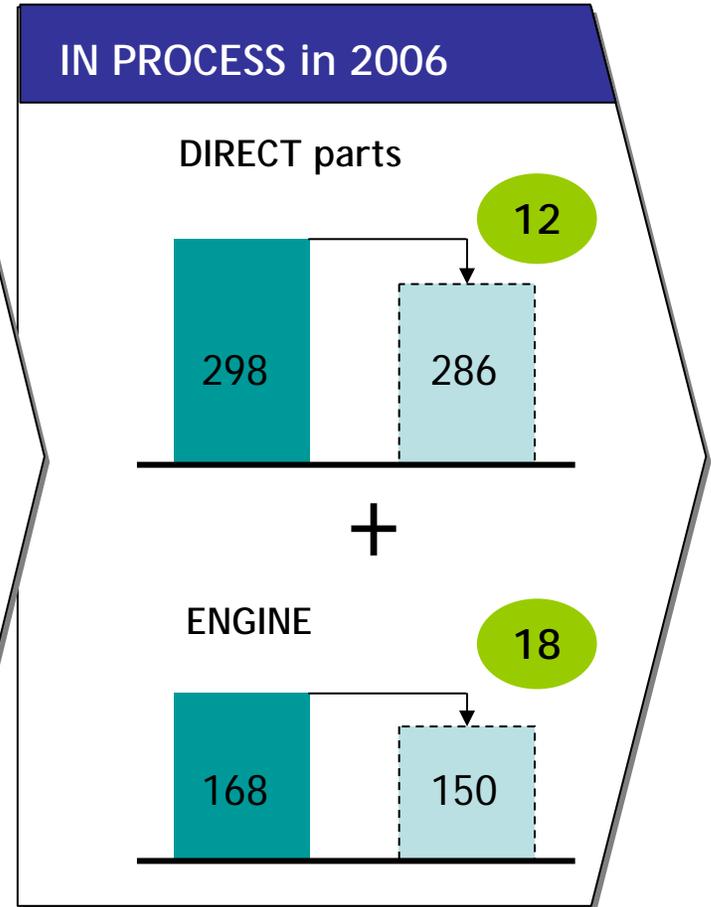
Operating profit to improve by KRW30 billion in 2006

Unit : KRW billion

**PROCUREMENT  
IMPROVEMENT**



**DESIGN  
IMPROVEMENT**



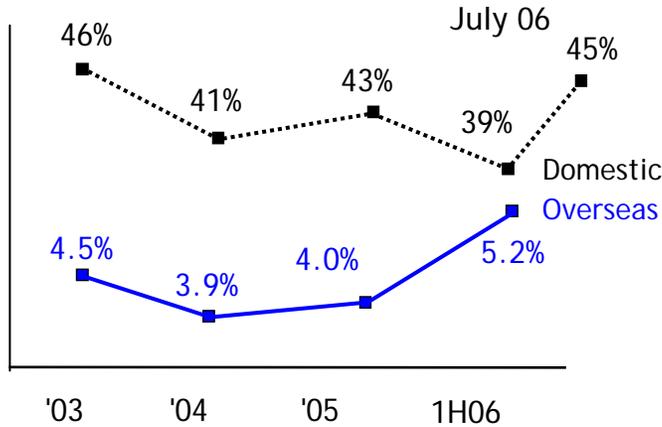
# Stronger Market Presence in All Business Areas



Domestic market leader and market share expansion overseas

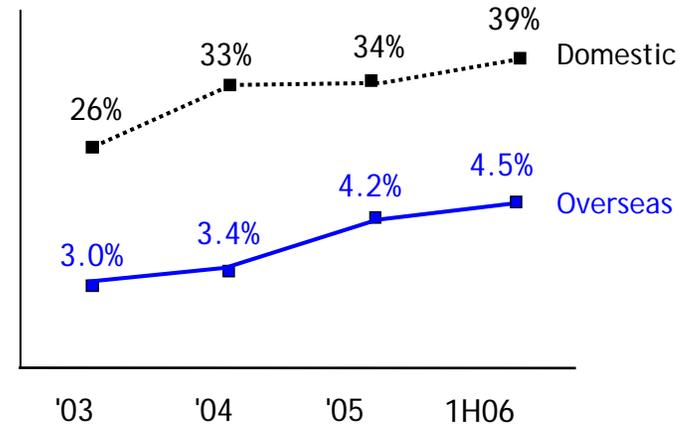
Unit : %

Construction Equipment



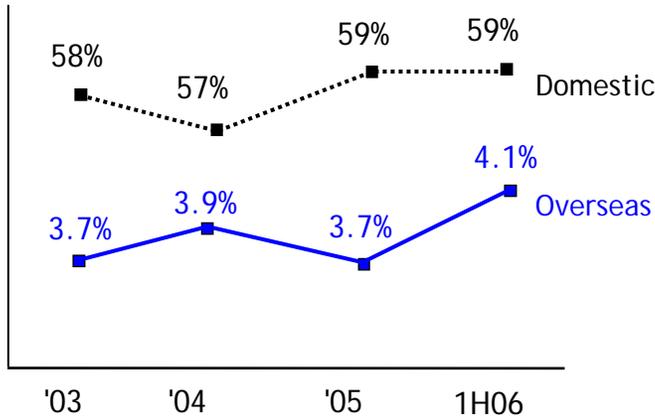
※ Source : Off Highway Research

Machine Tools



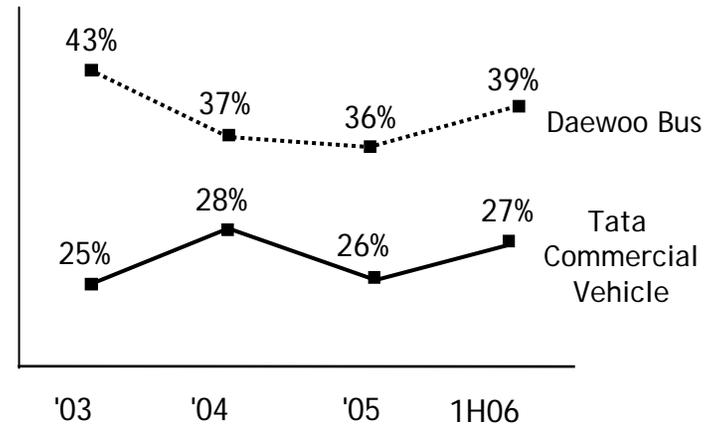
※ Metal working inside report  
 ※ WITS Shipment Basis (ITA Basis in US)

Industrial Vehicle



※ WITS Shipment Basis (ITA Basis in US)

Engines

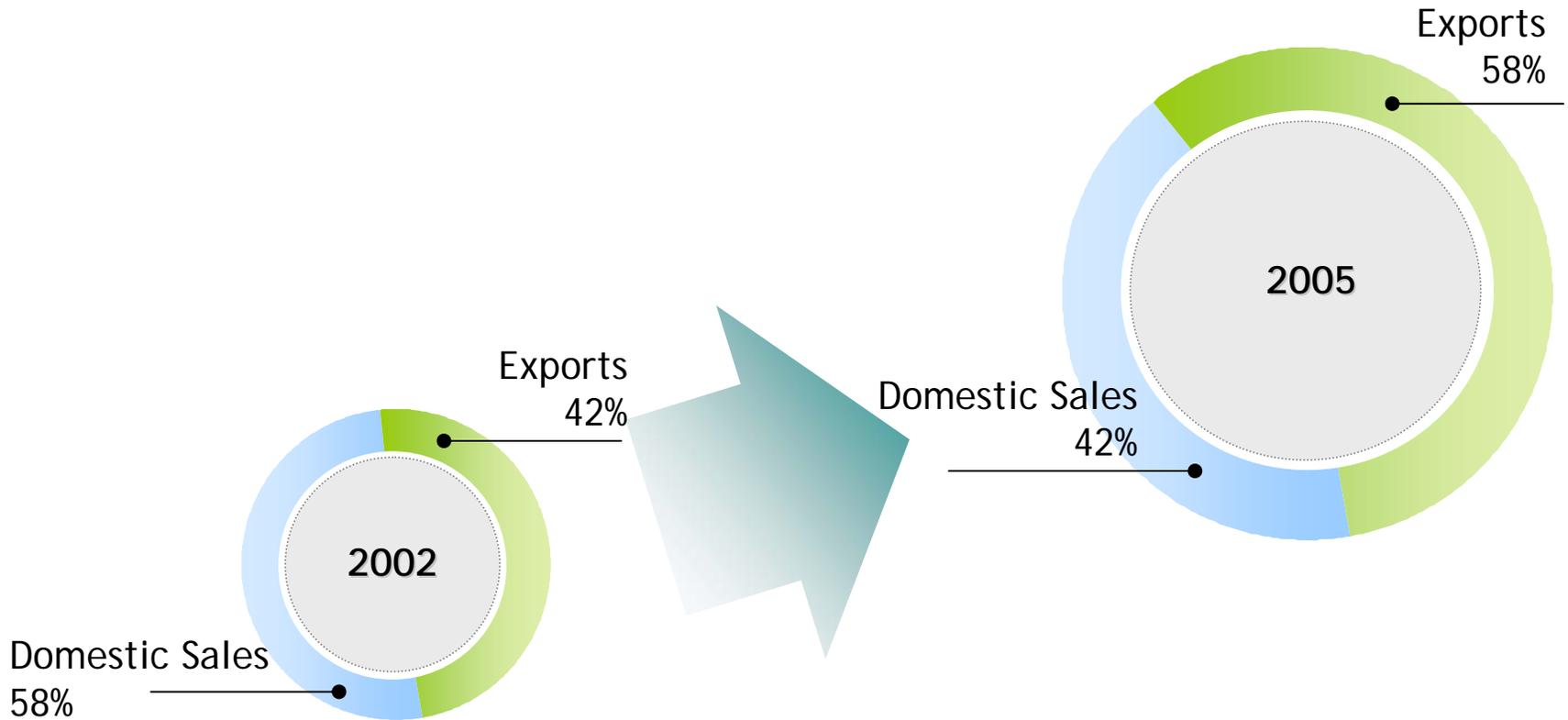


※ Based on registered vehicles by KAMA and data from Daewoo Motor Sales' competitors

# Going Global

Growing exports compensate for the limitation of the domestic market

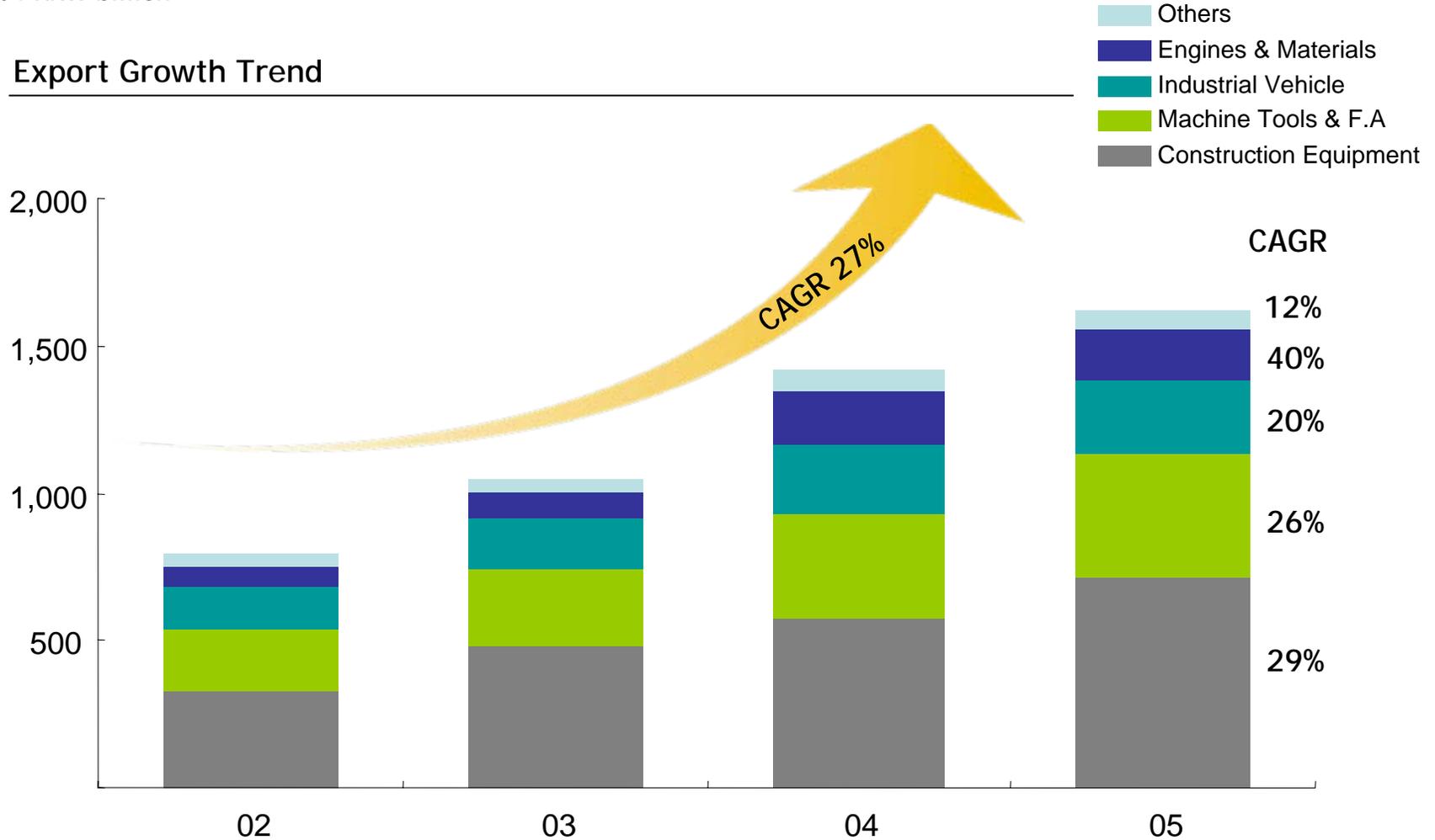
## Change in Export Ratio



# Successful Global Business

Unit : KRW billion

## Export Growth Trend

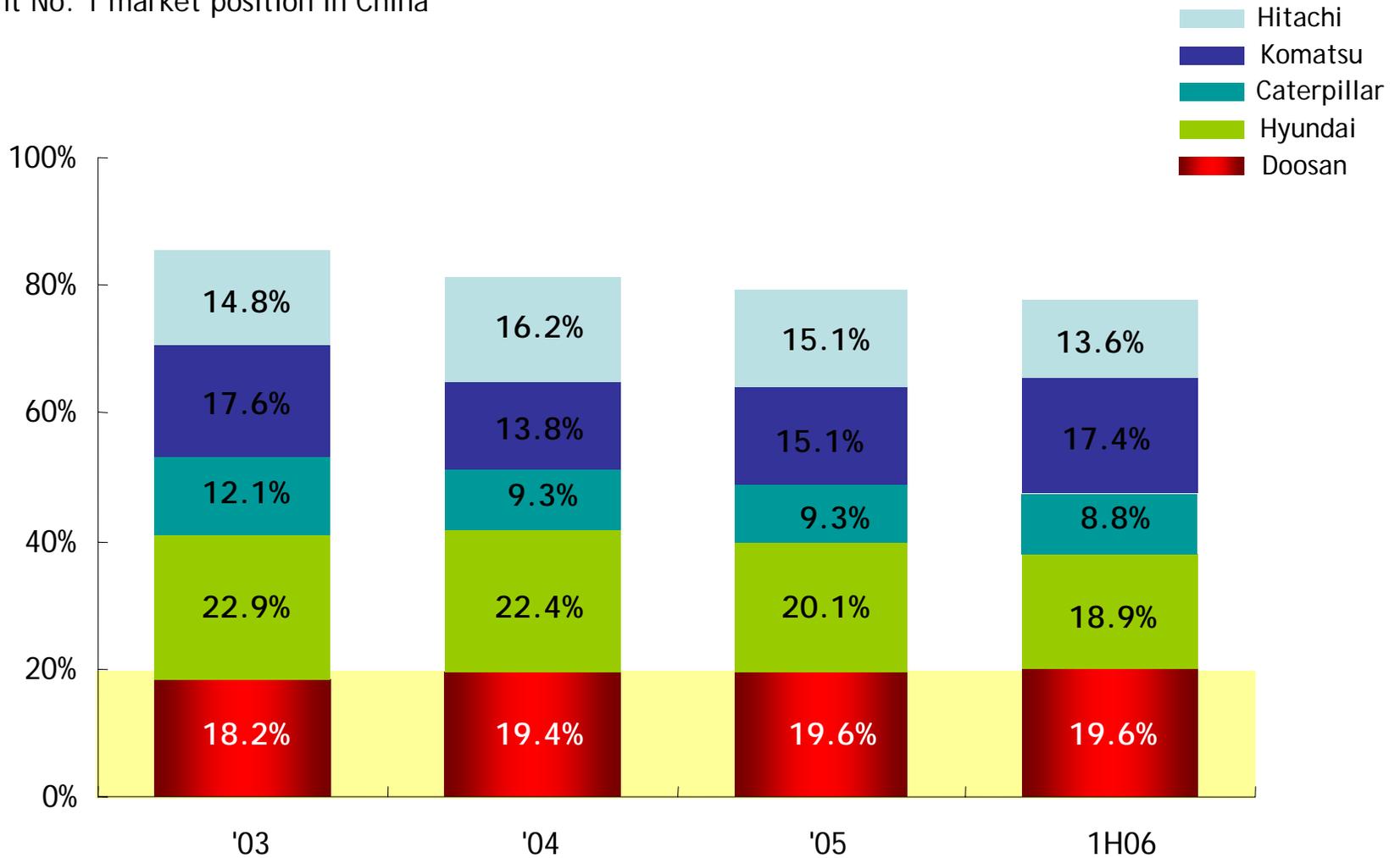


\* Export growth was even higher at CAGR 35% during 2002-2005 based on US dollar terms

# Market Leader in China



Dominant No. 1 market position in China

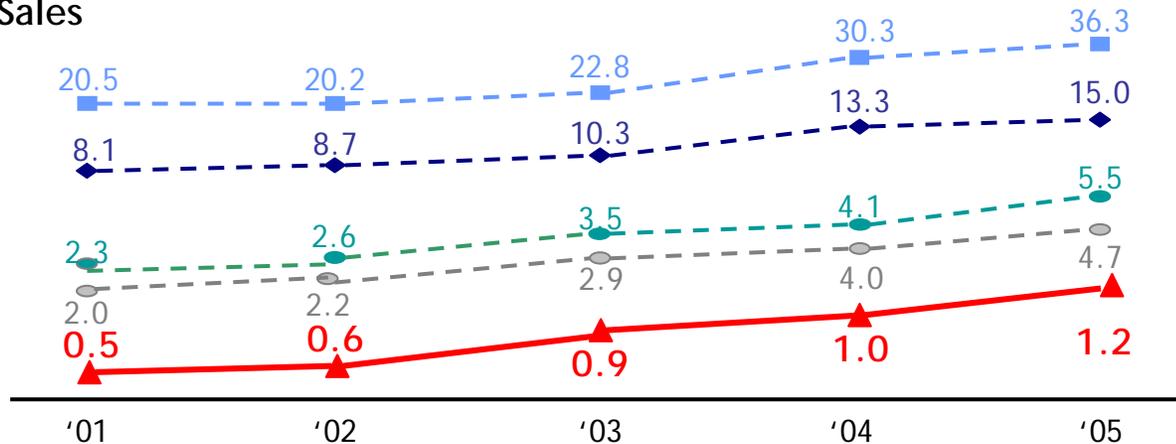


# Attractive Growth - Construction Equipment



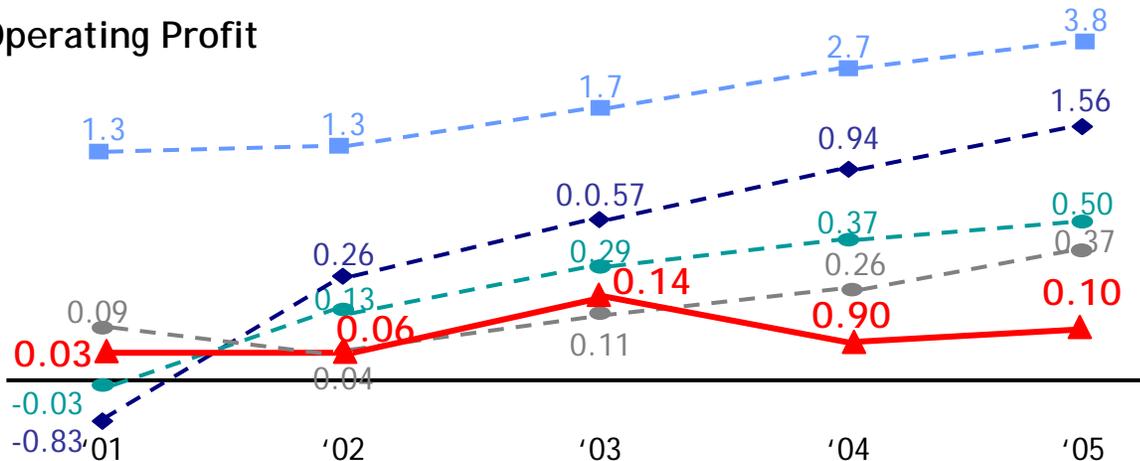
Unit : US\$ billion

## Sales



	CAGR ('01~'05)
CAT	15%
Komatsu	17%
Hitachi	24%
Volvo	23%
<b>DI</b>	<b>27%</b>

## Operating Profit



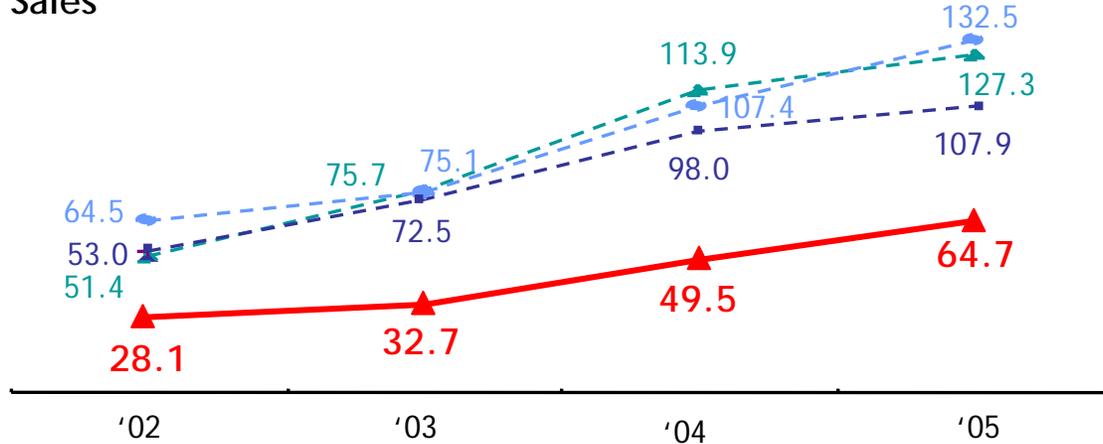
	CAGR ('01~'05)
CAT	30%
Komatsu	TB (81%*)
Hitachi	TB (58%*)
Volvo	44%
<b>DI</b>	<b>48%</b>

\* indicates CAGR during '02~'05

# Attractive Growth - Machine Tools

Unit : US\$ million

## Sales

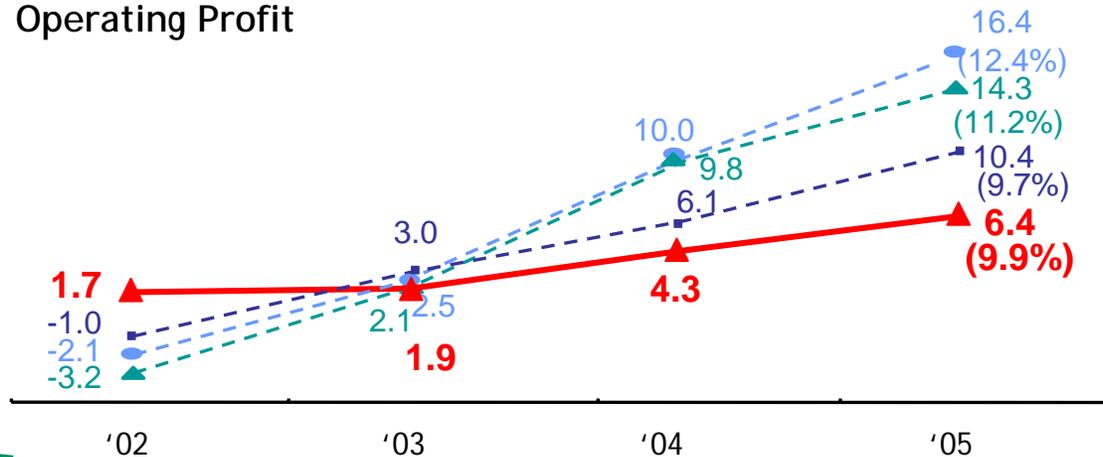


### CAGR

Okuma	27.1%
Moriseiki	35.3%
Makino	27.1%

**DI 32.0%**

## Operating Profit



### CAGR

Okuma	156.1%
Moriseiki	161.0%
Makino	86.2%

**DI 83.5%**

# 1H Results & 2H Outlook

(Financial numbers are parent basis unless stated otherwise)

Doosan Infracore

# 1H06 Key Results (Parent + Overseas Subsidiaries)



On a consolidated basis (parent + overseas subsidiaries), sales grew 9.2% YoY in 2Q on the back of strong construction equipment and machine tool divisions

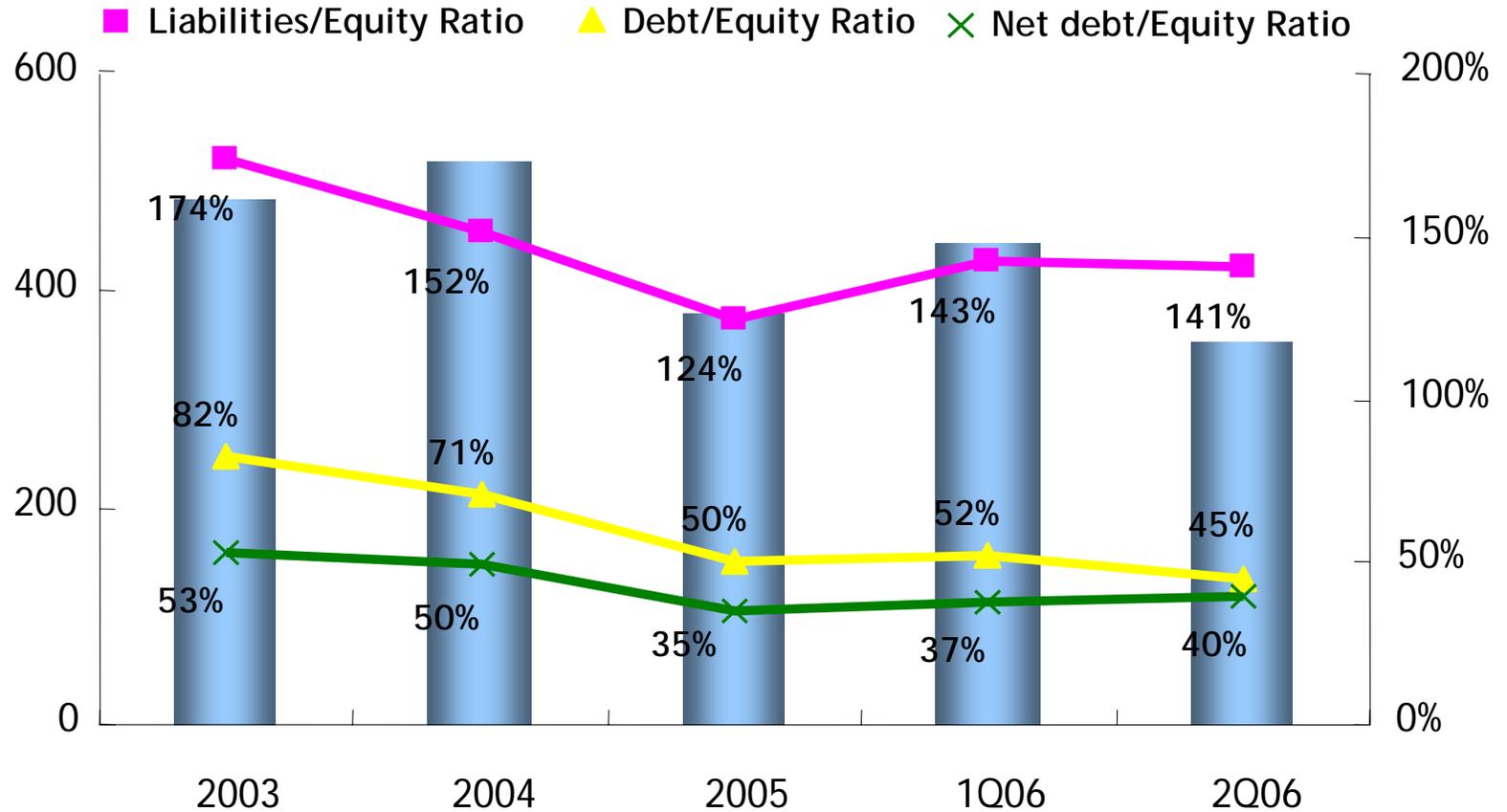
Consolidated operating margin improved 2.2%p to 11.3% in 2Q

Unit : KRW billion	Parent			Overseas Subsidiaries			Parent + Overseas Subsidiaries		
	Result	Relative To Target	YoY	Result	Relative To Target	YoY	Result	Relative To Target	YoY
Sales	1,553.3	1.3%	10.3%	876.1	3.1%		1,799.7	0.1%	9.9%
COGS Ratio (%)	76.3%	0.1%p	-3.6%p	86.1%	-0.7%p		73.1%	-0.5%p	-2.7%p
Operating Profit	145.3	14.9%	33.3%	41.1	18.1%		183.5	13.8%	20.1%
OP Margin (%)	9.4%	1.1%p	1.6%p	4.7%	0.6%p		10.2%	1.2%p	0.9%p
Recurring Profit	118.7	3.8%	-11.2%	37.1	37.9%		126.5	0.0%	-13.7%



# Balance Sheet As of 1H06

Sustained improvement of the balance sheet

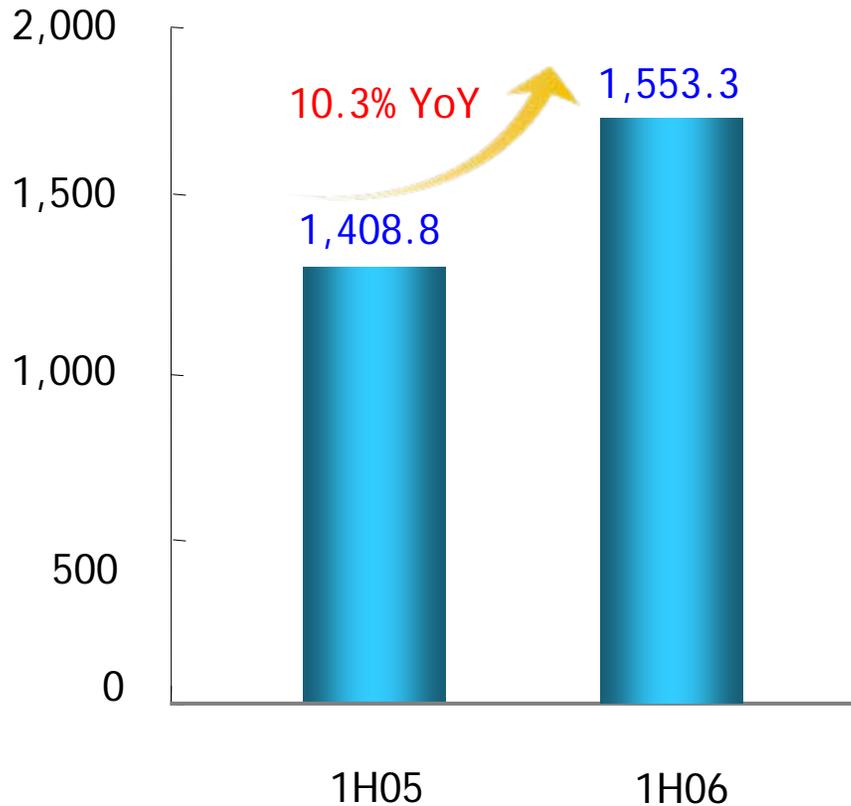


Net Debt (KRW billion)	485	518	379	444	354
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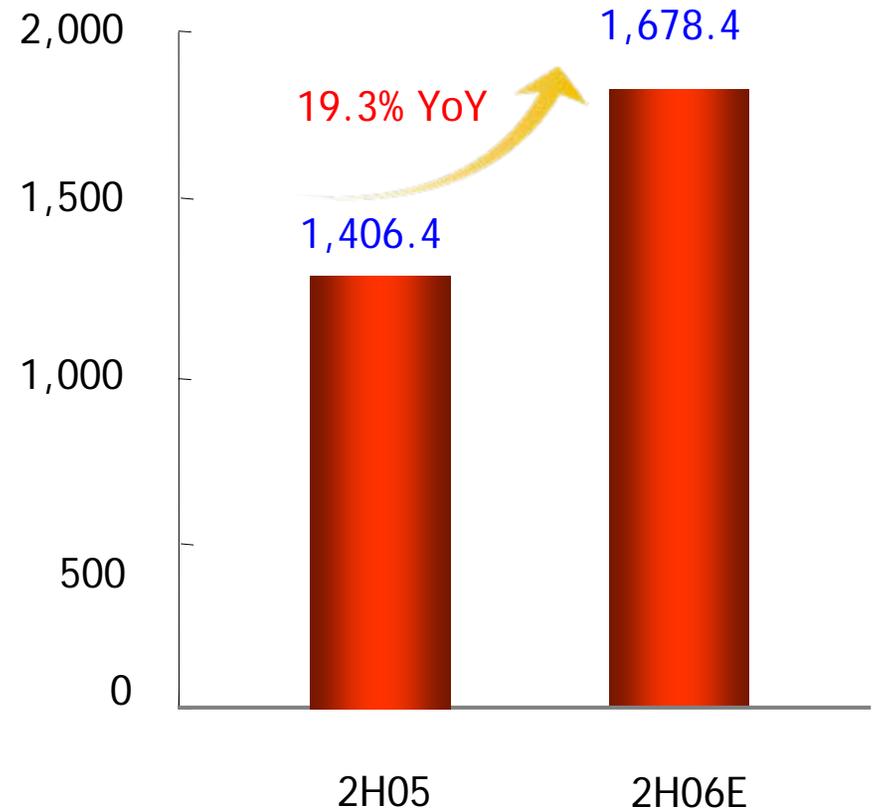
# 1H06 & 2H06E Sales

Sales in 1H06 grew **10.3% YoY** thanks to strong export growth of construction and machine tool divisions  
Greater sales growth in 2H given sustained growth in all divisions as well as 70% of defense sales

Unit : KRW billion



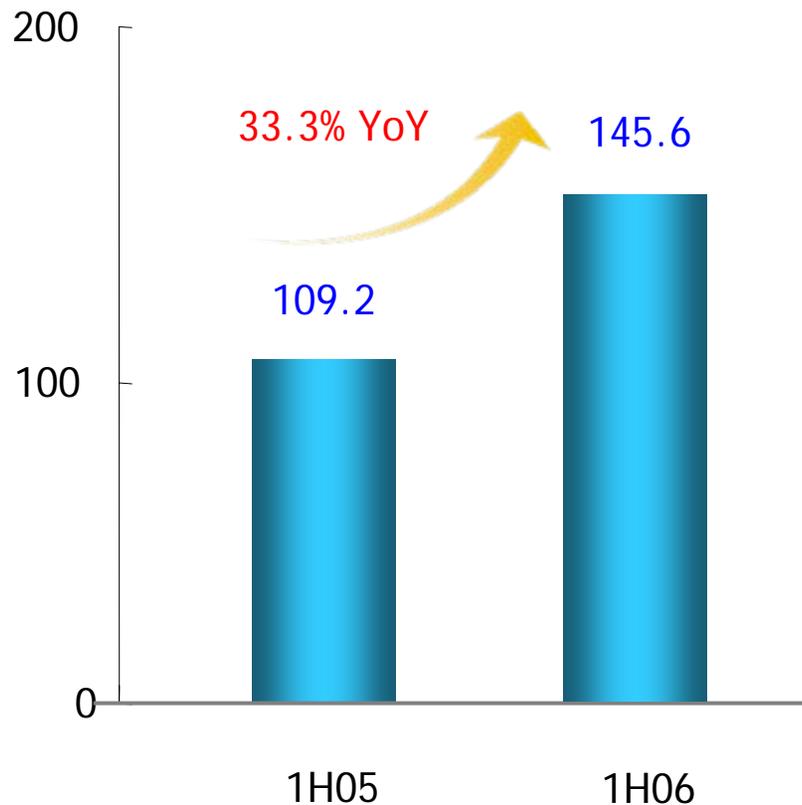
Unit : KRW billion



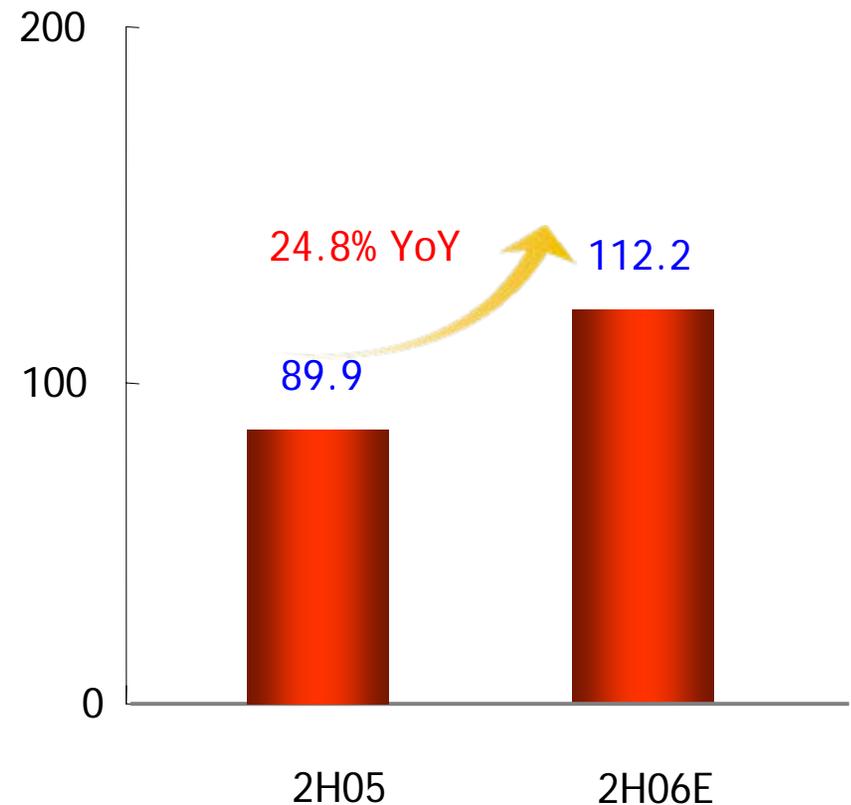
# 1H06 & 2H06E Operating Profit

Operating profit in 1H grew a remarkable **33.3% YoY** on the back of higher sales contribution from profitable construction and machine tool divisions  
2H should be slower due to relatively higher contribution from the low-margined defense division

Unit : KRW billion



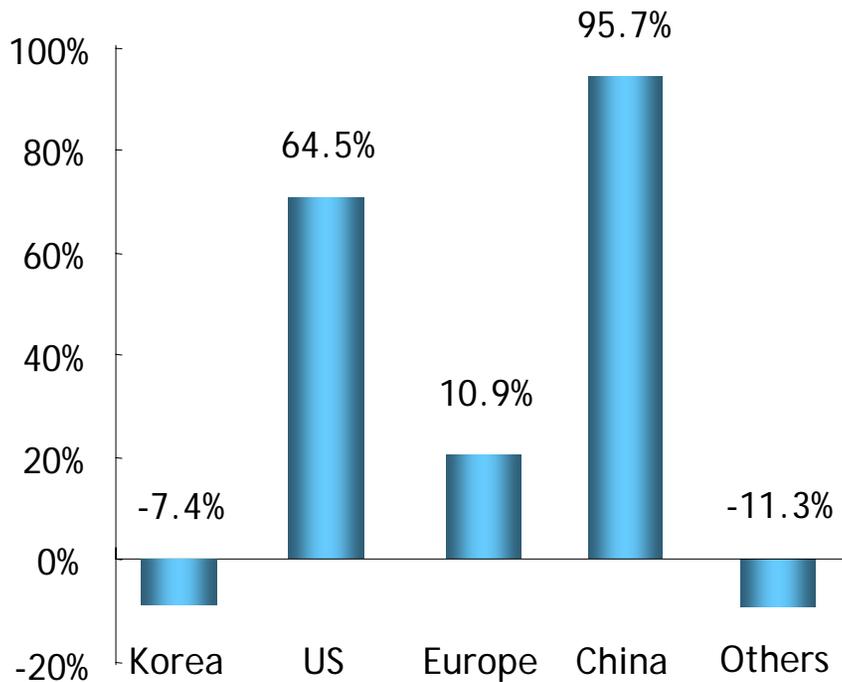
Unit : KRW billion



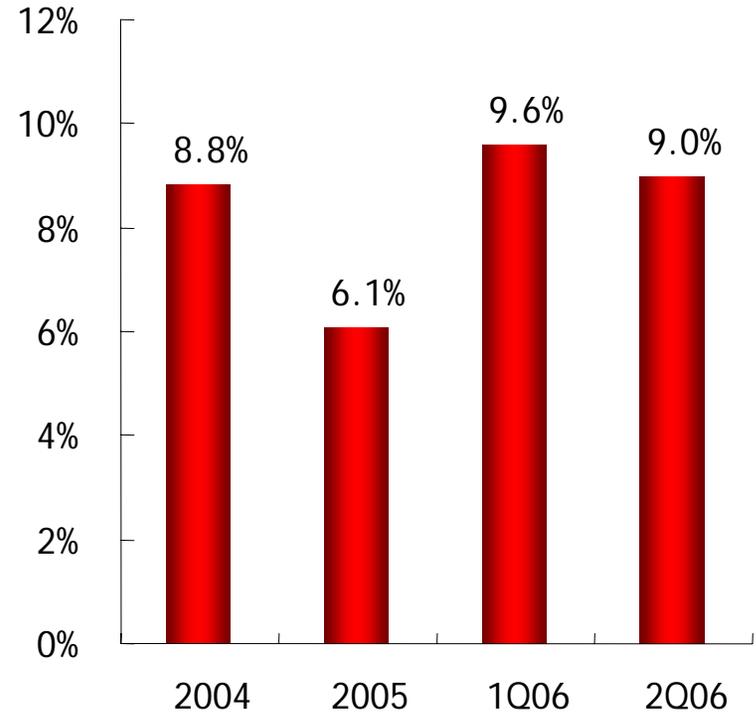
# Construction Equipment BG

Sales increased 23% YoY, far exceeding the market growth rates in key regions  
OP margin surged to a 9% level thanks to better product mix and price hike

## Sales Growth By Region



## OP Margin

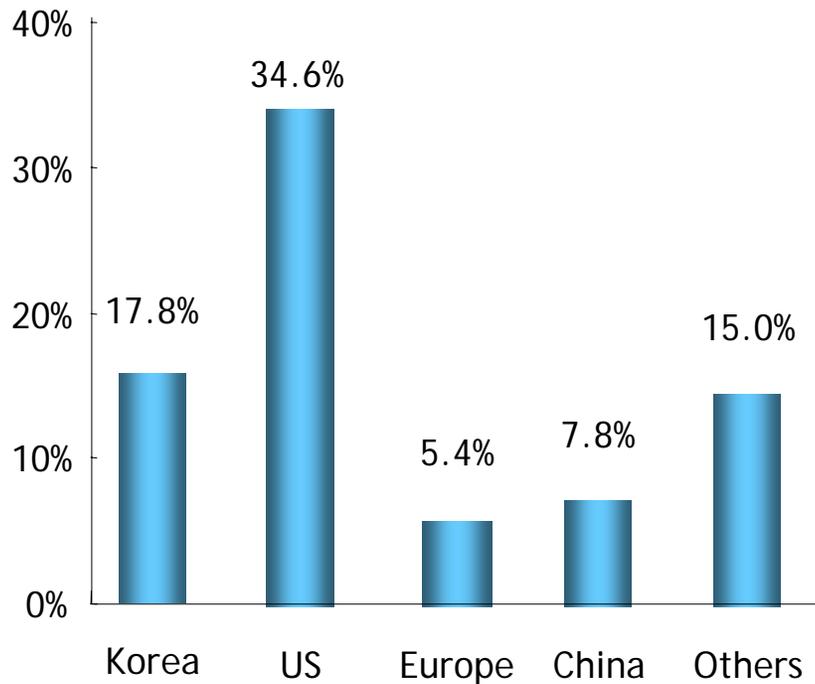


# Machine Tools & F.A.

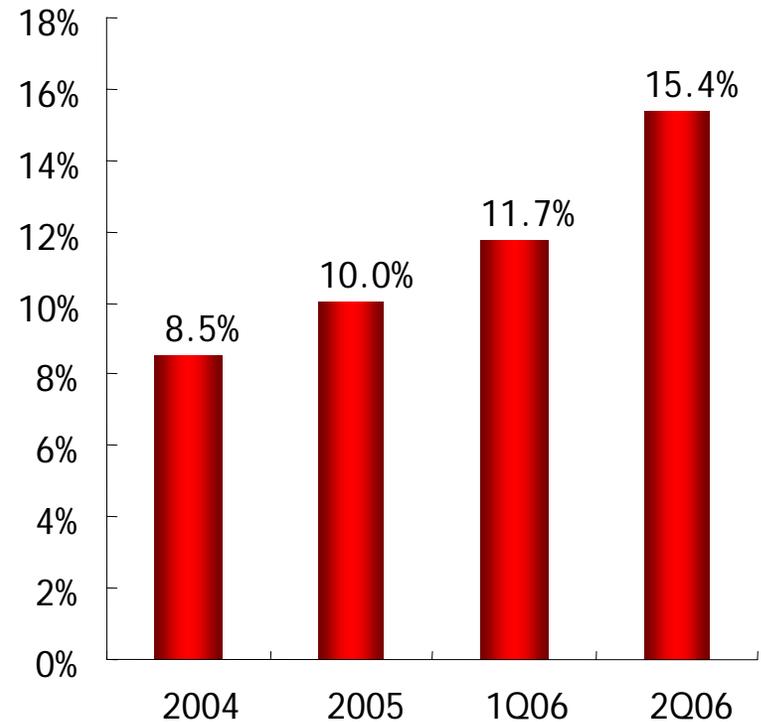
Sales rose 16% YoY on the back of market share gain in all regions

OP margin was the highest among global machine tool makers via better product mix

## Sales Growth By Region



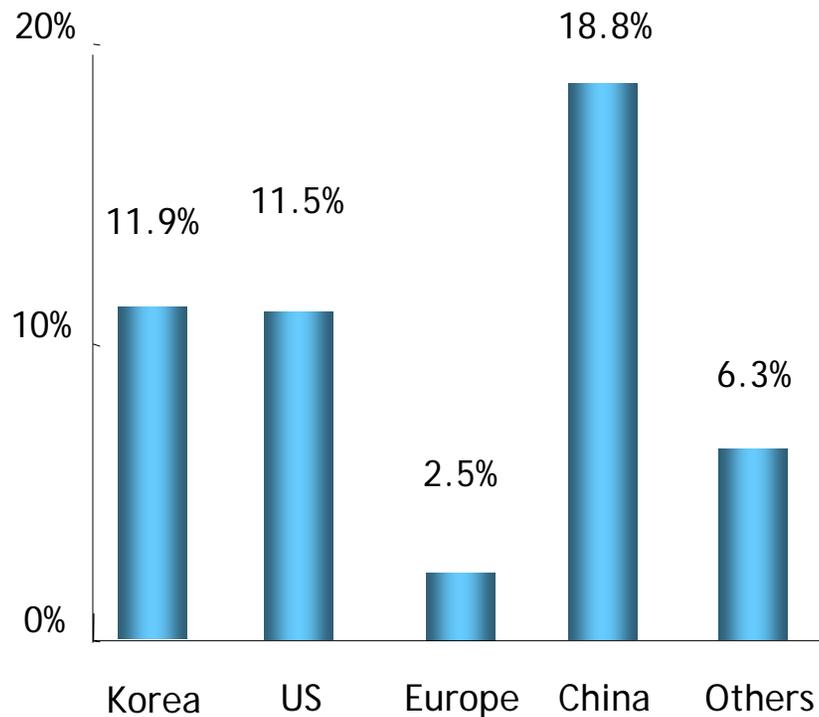
## OP Margin



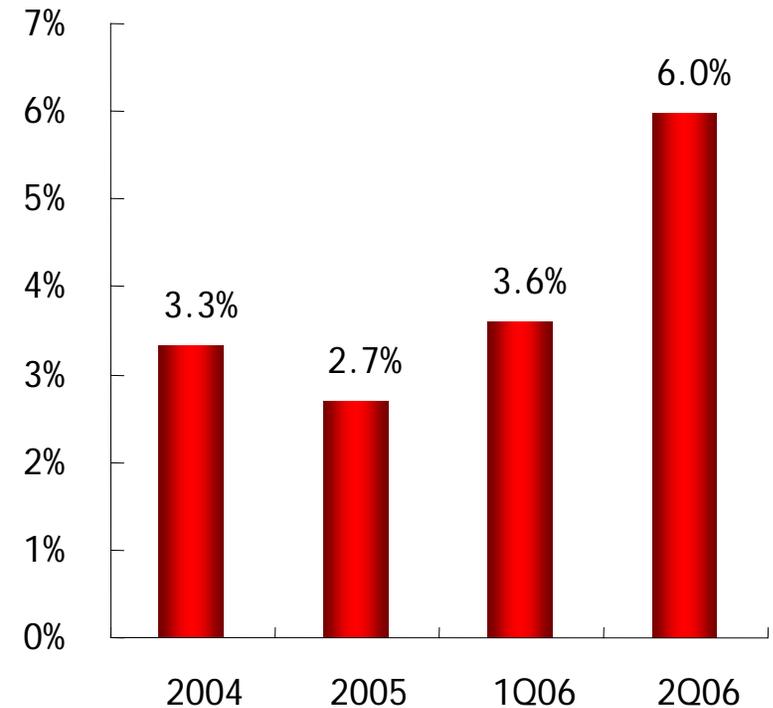
# Industrial Vehicle

Sales met our internal target, growing 9% YoY, given the strong demand in US and China  
OP margin doubled from the 3% level in the past, mainly due to massive cost savings efforts

## Sales Growth By Region



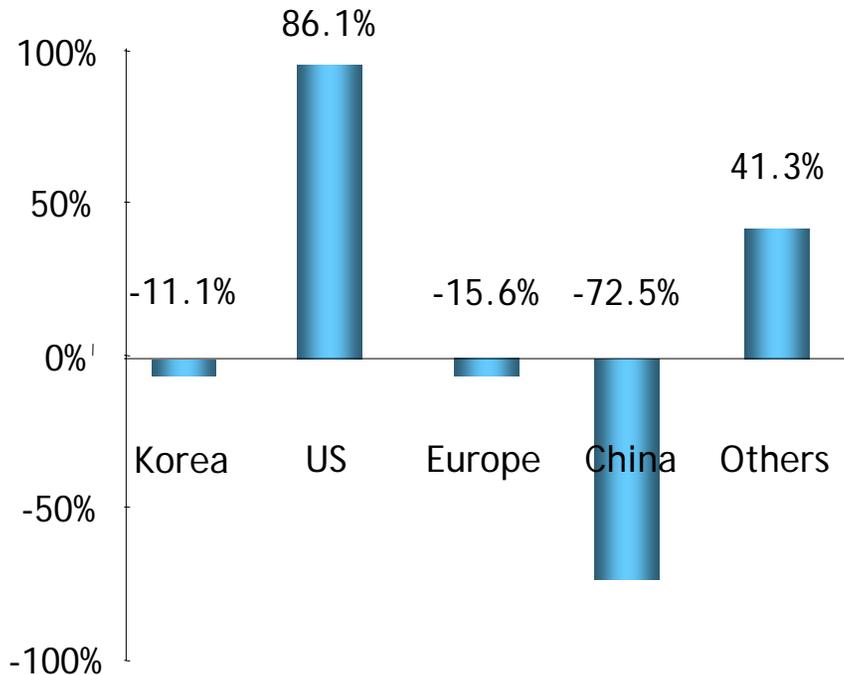
## OP Margin



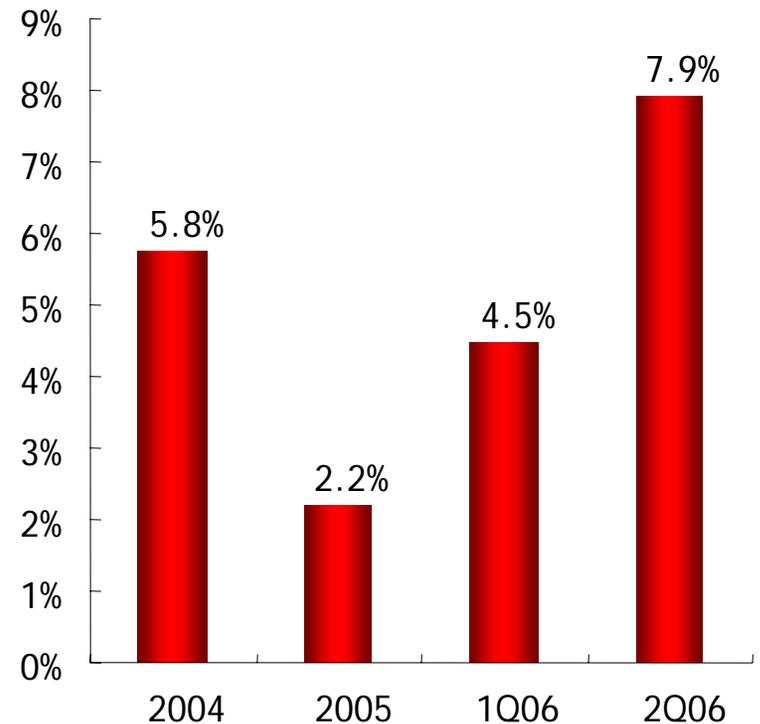
# Engines & Materials

Sales fell 6% YoY due to reduced commercial vehicle demand in Korea and lack of demand for power generating engine to China, even though CNG and ship engine sales increased  
However, OP margin improved sharply thanks to a price hike, product mix improvement and cost savings

## Sales Growth By Region



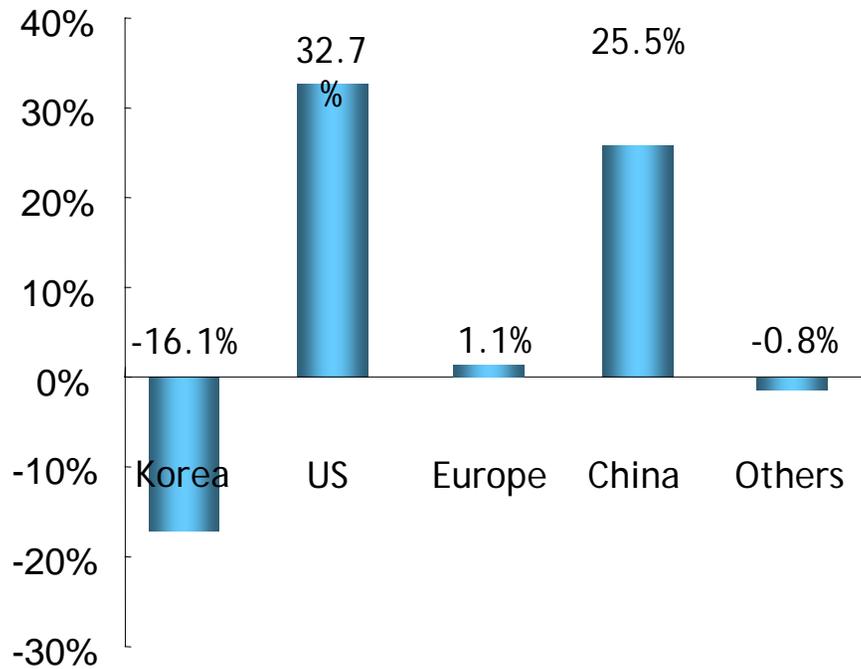
## OP Margin



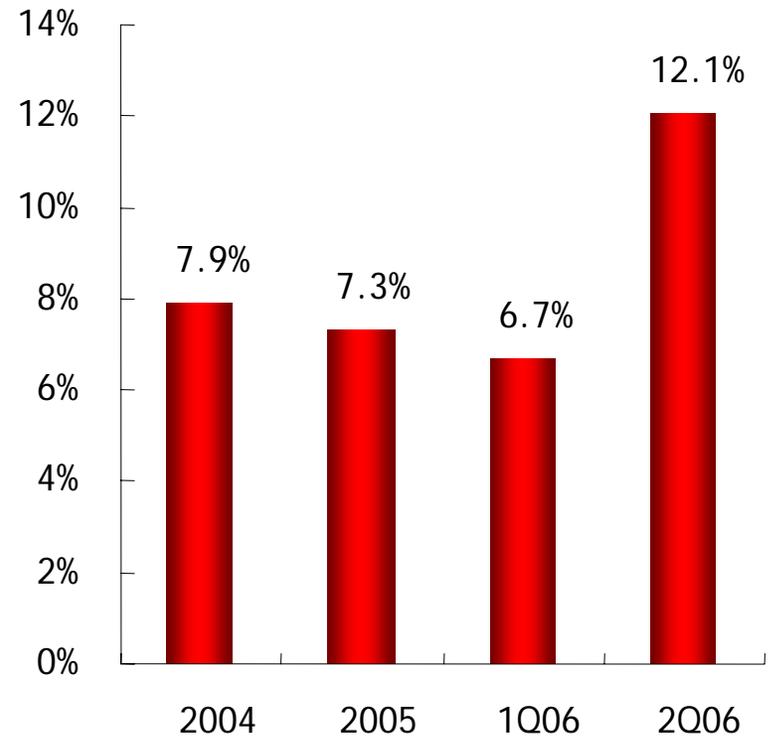
# Others

Sales dropped 12% YoY as the bulk of defense revenue will be booked during 2H  
OP margin nearly doubled as the contribution from the lucrative A/S parts sales grew increased

### Sales Growth By Region



### OP Margin



# Past Success Stemming from...

## Favorable Market Conditions

- Booming global economy
- China emerges as a new market with Doosan Infracore taking a dominant market position

## Improved Risk Management

- Applying stricter Doosan GAAP accounting policies (e.g. reducing receivable period to 90 days)
- Tighter control over bad debts (e.g. high provision for receivables)
- Aggressive hedging policy

## Aggressive Cost Reduction

- KRW17billion cost reduction from procurement improvement
- KRW15billion cost reduction from design improvement

# What We're Aiming

Doosan Infracore

# Context : Long Term Business Plan

## Background

- Developing 5-year long term strategy aligned with Doosan's Strategy Session
  - Doosan's 2-G Strategy (Growth of Business, Growth of People)

## Main Focus

- Source of growth in the future
- Where to focus : Markets and products
- Where to Investment : Money and People
- Potential risks identification and how to handle

## Major Effects

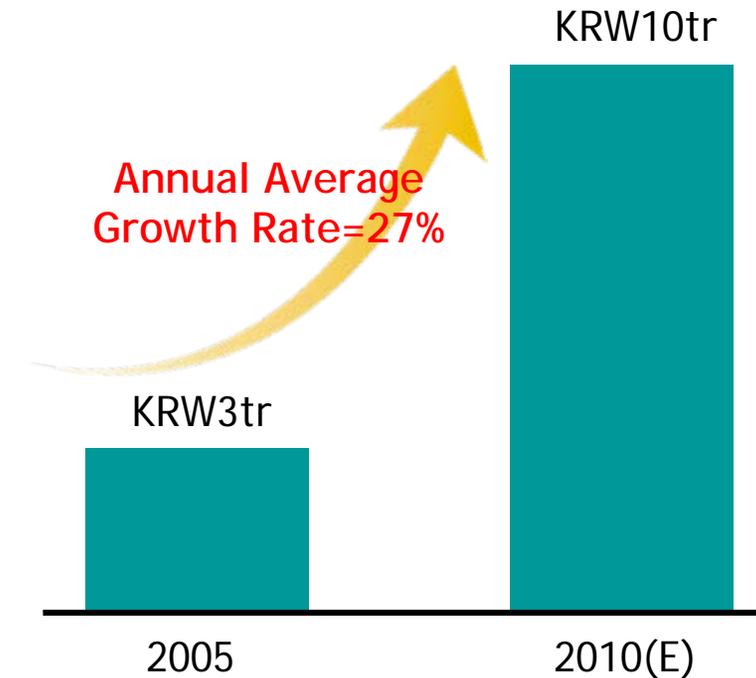
- Formulate strategy to leverage the current growth momentum
- Create growth platform by selectively investing into the future
- Strengthen global competitiveness
- Motivate and attract the most talented people

# VISION : Global Top 5 ISB\* Company

Leap from a leading Korean machinery company to a globally renowned ISB\* (Infrastructure Support Business) company

## Growth Target

(Sales Basis)

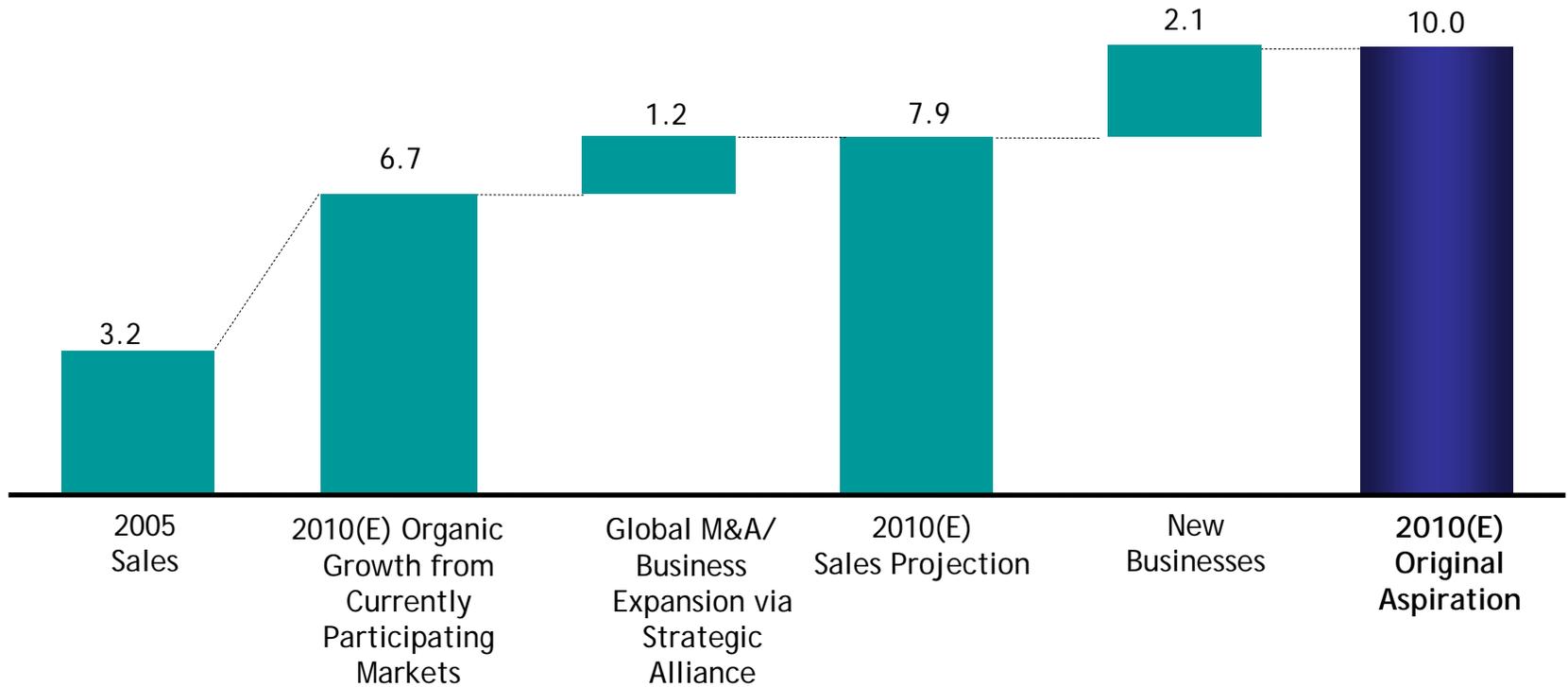


- Global Top 5 in ISB Industry
- 2010 Business Target of 10-10  
– KRW10tr sales & 10% OP margin

# Growth Lever

1. Aggressive Organic Growth; 2. Global M&A and Strategic Alliance; 3. New Businesses

Unit : KRW trillion, Parent + Subsidiary basis



## Key Components for Organic Growth

- Growth of Market : 31.6%
- Increase in Market Share : 51.2%
- Product Mix Improvement : 11.9%
- Price Hike : 5.3%

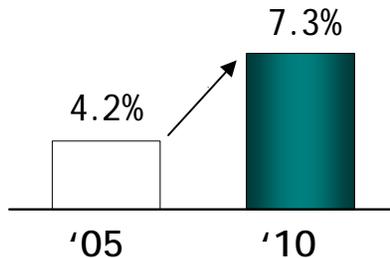
} Total : 100% (≒ KRW3.5tr)

# Strategies to Boost Global Market Share - 1

## Construction Equipment

### Regional Market Share

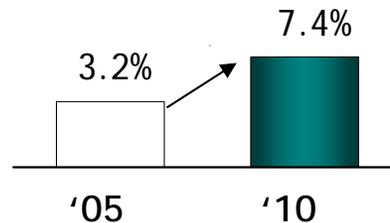
#### Europe



Enhanced  
Product Line-up

Diversified  
Client Base

#### US (Mid & Large-size)



Better A/S &  
Product Service

### Strategies

Introducing next generation models in more markets

- Launching DX model in US

Enhanced product line-up

- Development and penetration into the mini and zero tail excavator markets
- Introducing track-type SSL

#### US Market

- "Focused Value / Service Player" - Targeting small- to mid-sized clients sensitive to TOC and downtime
- Aggressive entry into the leasing market

#### Europe

- Increasing market coverage : Acquire new dealers in France and focus on Germany
- Installation of a moving branch in Eastern Europe

Regular client check-ups

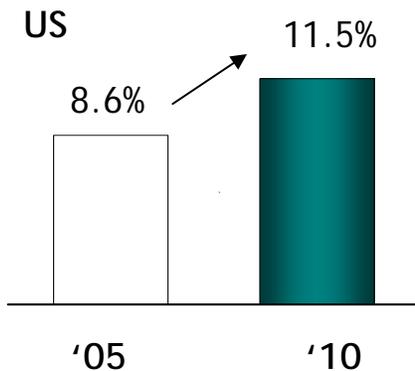
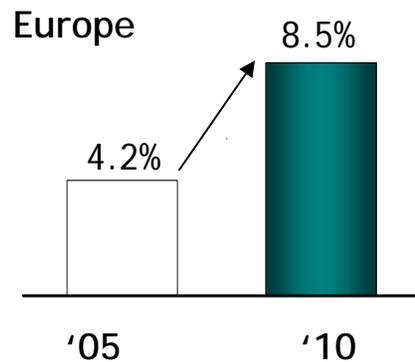
Operating a call center and keeping equipments for lease to minimize the actual downtime

Monitoring the service quality

# Strategies to Boost Global Market Share - 2

## Machine Tools

### Regional Market Share



Enhanced  
Product Line-up

### Strategies

Increased high-end products with greater added value

- Development and launch of 3 new models

Developing simplified models to expand client base

- Plans to develop and launch 6 new models per year

Entering new business on top of existing MC/TC

- In the process of finding the right item

Diversified  
Client Base

Diversified client portfolio

- Secure profitable aerospace/defense/medical industry clients
- Secure tier 2 clients in the automobile industry
- Searching for larger dealers and clients in existing markets

Better A/S &  
Product Service

Establishment of an operating center in Europe

Expansion of the technical center in Europe and US

Enhanced product reliability by managing MTBF (Mean Time Between Failure)

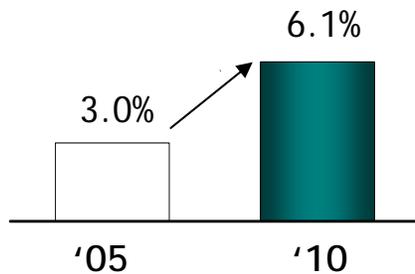
Better support for system engineering for factory automation

# Strategies to Boost Global Market Share - 3

## Industrial Vehicle

### Regional Market Share

#### Europe



**Enhanced  
Product Line-up**

### Strategies

- Introduce next generation forklift truck models
  - Tier 3 forklift trucks and electric AC forklift trucks
- Secure cost competitiveness via optimal designs
- Develop forklift truck models for the Chinese market

**Diversified  
Client Base**

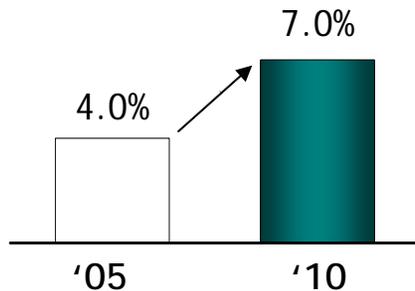
Diversified client base backed by enhanced product competitiveness

- Expanding clients to leasing or rental companies

Better sales force

- Stronger sales network by recruiting national account specialists
- Apply CRM and sales training tools

#### US



**Better A/S &  
Product Service**

Better parts & service support

- Secure local technical support
- Run parts incentive program

Extended warranty program

# Strategy Theme



# Our Confidence in Realizing Our Vision

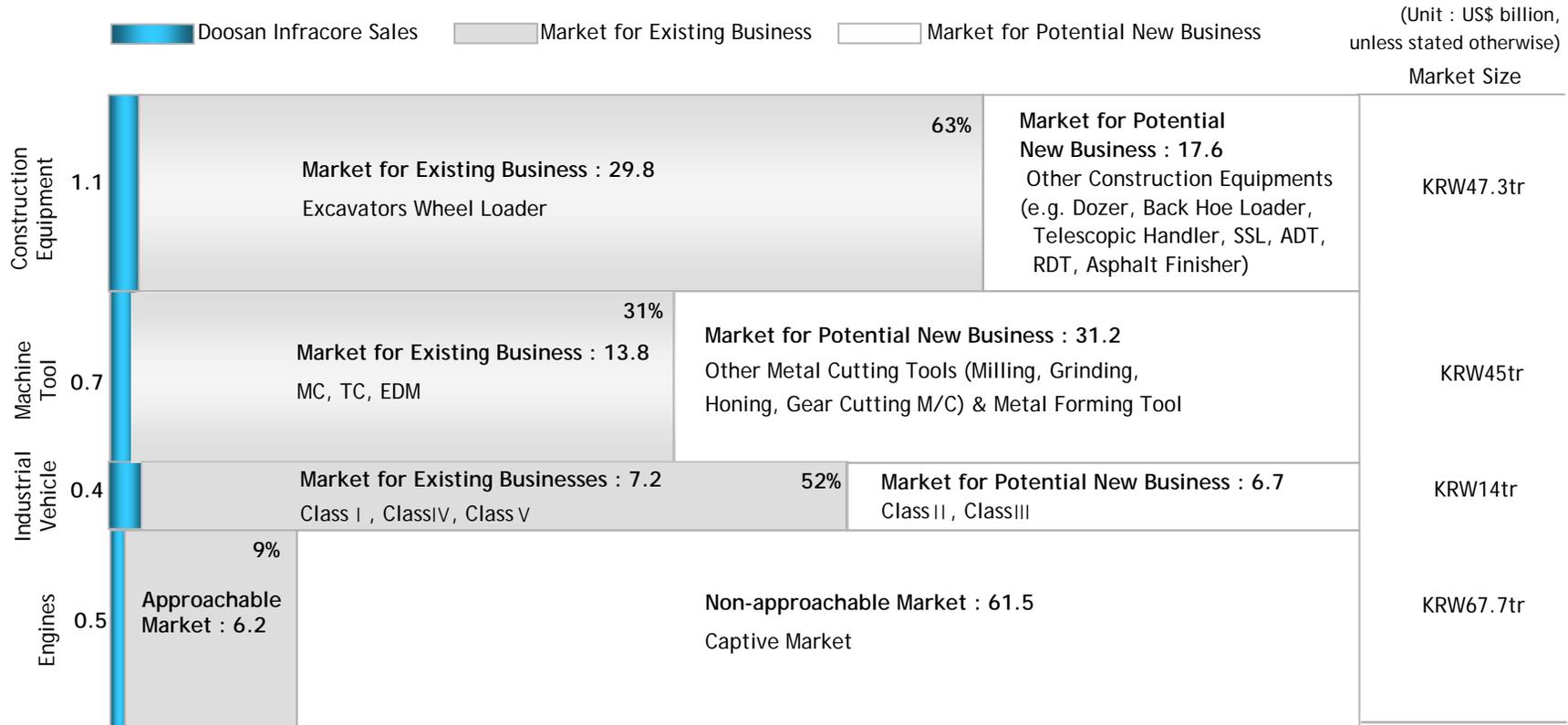
1 Attractive Market Trend

2 Solid Strategy Implementation Program

3 Symptoms of Early Success

# 1 Attractive Market Trend

- Global market size as of 2004 estimated at KRW174 trillion
- Doosan Infracore participated in markets equivalent to 33% of the global market (or KRW57 trillion)



Total Market Size : KRW174tr

\* Based on 2004 figures

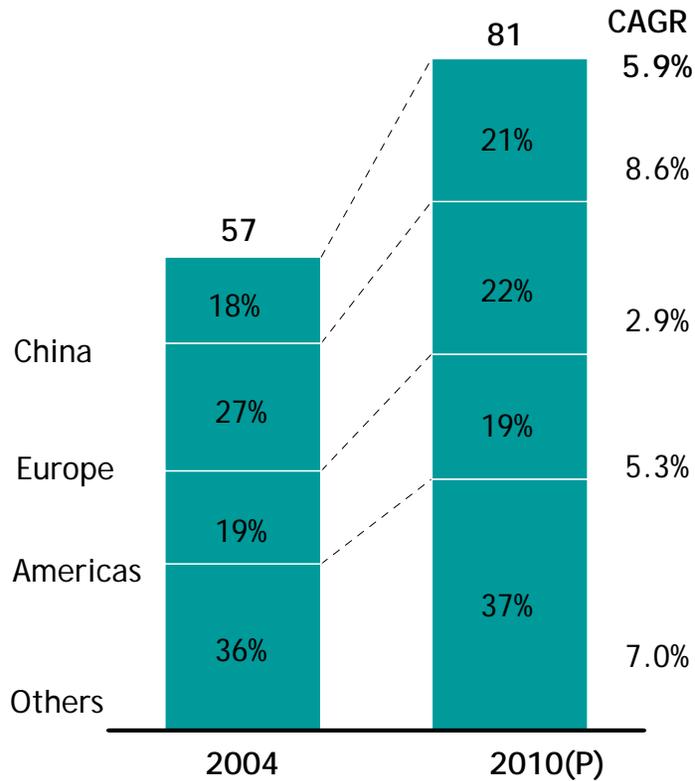
\* Defense BG was excluded

\* Global markets were defined as follows: construction equipment market for the construction equipment BG, machine tool (cutting & forming) market for the machine tool & F.A. BG, Class I-V market for the industrial vehicle BG and mid/large-sized diesel engine market for the engine & materials BG

# 1 Attractive Market Trend

Unit : US\$ billion

Market size projection by region

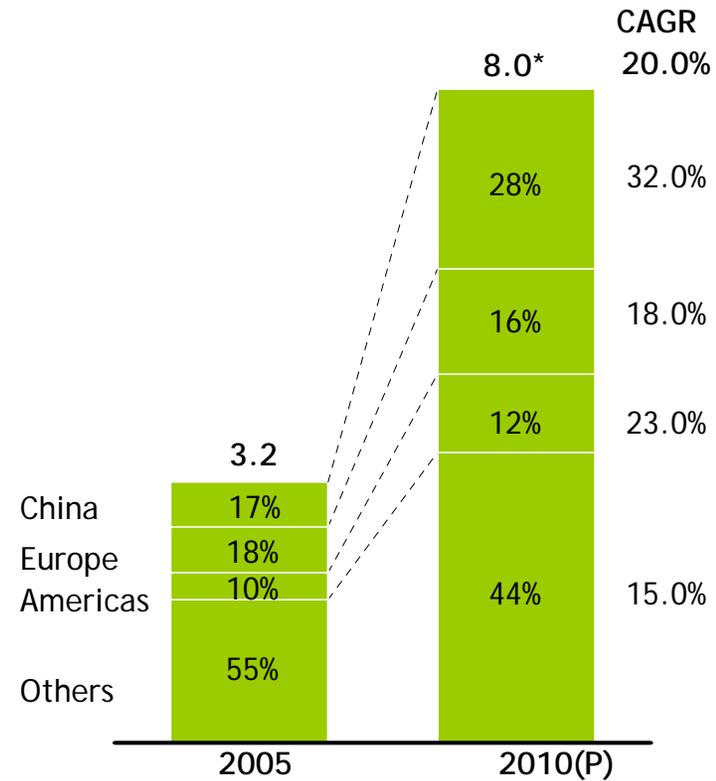


Anticipating 6% of Steady growth

\* Excluding new business

Unit : KRW billion

DI revenue projection by region



China as a main driver of DI growth

Source : Off-highway research, Yengst Associate, Korea Institute of Construction Technology, WITS, Moto Data, Generator Sets ABI Research, KAMA, The Association for Manufacturing Technology, A Garner Publication

## 2 Solid Strategy Implementation Program

### Key Initiatives in Progress

- Implementing 30 key strategic initiatives
- Aggressive execution on operational improvement program
  - Applying “lean manufacturing concept” to improve productivity
  - Cost reduction program : Purchasing cost reduction, design optimization, etc

### Right Person in Right Place

- Deploying internal top talents in key positions
- Increasing talent pool to execute strategy
- Will hire global top talents in key positions such as CTO, China specialist, Lean experts, etc

### Measures to Motivate People

- Clear financial and strategic targets are aligned with individual MBO
- Aggressive incentive scheme aligned with performance to mobilize people

# 3 Symptoms of Early Success

## Fundamental competitiveness

- Launching next generation products
  - 15 excavator/wheel loader
  - 8 forklift, 9 machine tool
- Developing regionally competitive products such as China
- Global M&A and strategic alliance in progress : visible achievements expected within 6 ~ 12 months

## Cost Leadership

- 17 won billion cost reduction for MRO/Indirect purchasing cost
- Identified 10%+ cost reduction potential of forklift by applying optimal design concept

# Appendix

Doosan Infracore



# 1H06 Summarized Income Statement (Parent)

Unit : KRW billion	1H06	YoY	1Q06	2Q06	1H05
Sales	1,553.3	10.3%	727.6	825.7	1,408.8
Gross Profit	368.9	30.5%	171.7	197.2	282.6
(GP Margin)	23.7%	3.7%p	23.6%	23.9%	20.1%
Operating Profit	145.6	33.3%	60.6	85.0	109.2
(OP Margin)	9.4%	1.6%p	8.3%	10.3%	7.8%
Recurring Profit	116.6	-11.2%	57.6	59.0	131.3
(RP Margin)	7.5%	-1.8%p	7.9%	7.1%	9.3%

# Balance Sheet as of Jun. 2006 (Parent)

Unit : KRW billion	2Q06	QoQ	YoY	1Q06	2Q05
Current Assets	1,326.3	1.2%	-12.7%	1,310.7	1,518.6
Fixed Assets	1,195.8	-0.8%	3.8%	1,204.8	1,152.3
<b>Total Assets</b>	<b>2,522.1</b>	<b>0.3%</b>	<b>-5.6%</b>	<b>2,515.6</b>	<b>2,670.8</b>
Debts	470.9	-12.4%	-30.0%	537.6	672.6
Other Liabilities	1,005.7	6.7%	13.2%	942.5	888.3
<b>Total Liabilities</b>	<b>1,476.5</b>	<b>-0.2%</b>	<b>-5.4%</b>	<b>1,480.1</b>	<b>1,561.0</b>
<b>Total Shareholders' Equity</b>	<b>1,045.6</b>	<b>1.0%</b>	<b>-5.8%</b>	<b>1,035.4</b>	<b>1,109.9</b>
Liabilities/Equity Ratio	141.2%	-1.7%p	0.6%p	142.9%	140.6%
Net debt/Equity Ratio	39.9%	2.4%p	-7.2%p	37.5%	47.1%

# 1H06 Breakdown By Division (Parent)

Unit : KRW billion	Total			Construction Equipment			Machine Tools & F.A			Industrial Vehicle			Engines & Materials			Others		
	04	05	06	04	05	06	04	05	06	04	05	06	04	05	06	04	05	06
Sales	1,483.6	1,408.8	1,553.3	573.9	502.7	616.2	241.0	301.7	351.1	200.3	205.3	224.1	234.7	191.2	179.7	233.7	207.9	182.2
YoY	35%	-5%	10%	25%	-12%	23%	52%	25%	16%	16%	2%	9%	104%	-19%	-6%	22%	-11%	-12%
Domestic Sales	754.4	581.9	559.1	239.0	130.3	120.7	90.7	96.7	113.9	91.8	77.1	86.3	140.6	100.3	89.2	192.3	177.5	149.0
YoY	26%	-23%	-4%	13%	-45%	-7%	65%	7%	18%	5%	-16%	12%	66%	-29%	-11%	19%	-8%	-16%
Exports	729.2	826.9	994.2	334.9	372.4	495.5	150.3	205.0	237.2	108.5	128.2	137.8	94.1	90.9	90.5	41.4	30.4	33.2
YoY	47%	13%	20%	36%	11%	33%	45%	36%	16%	27%	18%	7%	210%	-3%	0%	43%	-27%	9%
Operating Profit	158.7	109.2	145.6	79.1	46.4	57.1	24.0	30.1	48.1	11.9	7.1	10.9	18.0	9.9	11.4	25.7	15.7	18.1
OP Margin (%)	10.7%	7.8%	9.4%	13.8%	9.2%	9.3%	10.0%	10.0%	13.7%	5.9%	3.5%	4.9%	7.7%	5.2%	6.3%	11.0%	7.6%	9.9%

# 1H06 Breakdown of Exports by Region (Parent)

	2005	2006	2005				2006			
			US	Europe	China	Others	US	Europe	China	Others
Construction Equipment	372.4	495.5	62.9	118.8	85.1	105.6	103.5	131.8	166.5	93.7
(YoY)		33.1%					64.5%	10.9%	95.7%	-11.3%
Industrial Vehicle	205.0	237.2	61.0	87.3	29.4	27.3	82.1	92.0	31.7	31.4
(YoY)		15.7%					34.6%	5.4%	7.8%	15.0%
Machine Tools & F.A	128.2	137.8	48.7	43.2	4.8	31.5	54.3	44.3	5.7	33.5
(YoY)		7.5%					11.5%	2.5%	18.8%	6.3%
Engines & Materials	84.2	90.5	3.6	13.5	28.0	39.1	6.7	11.4	7.7	64.7
(YoY)		7.5%					86.1%	-15.6%	-72.5%	65.5%
Others	37.1	33.2	4.9	8.7	4.7	18.8	6.5	8.8	5.9	12.0
(YoY)		-10.5%					32.7%	1.1%	25.5%	-36.2%
<b>Total</b>	<b>826.9</b>	<b>994.2</b>	<b>181.1</b>	<b>271.5</b>	<b>152.0</b>	<b>222.3</b>	<b>253.1</b>	<b>288.3</b>	<b>217.5</b>	<b>235.3</b>
(YoY)		20.2%					39.8%	6.2%	43.1%	5.8%

# Results of Overseas Subsidiaries (Parent)

Unit : KRW billion	Year	Sales	Operating Profit
China Subsidiary	2004	492.3	-2.8
	2005	389.3	8.7
	y-y	-21%	TB
Europe Subsidiary	2004	299.5	11.1
	2005	345.7	11.3
	y-y	15%	2%
North America Subsidiary	2004	343.4	19.0
	2005	368.2	20.6
	y-y	7%	8%
U.K. Subsidiary	2004	86.5	1.0
	2005	95.1	2.1
	y-y	10%	110%
Germany Subsidiary	2004	255.3	2.5
	2005	233.3	2.8
	y-y	-9%	12%
Total	2004	1,477.0	30.8
	2005	1,431.6	45.5
	y-y	-3%	48%

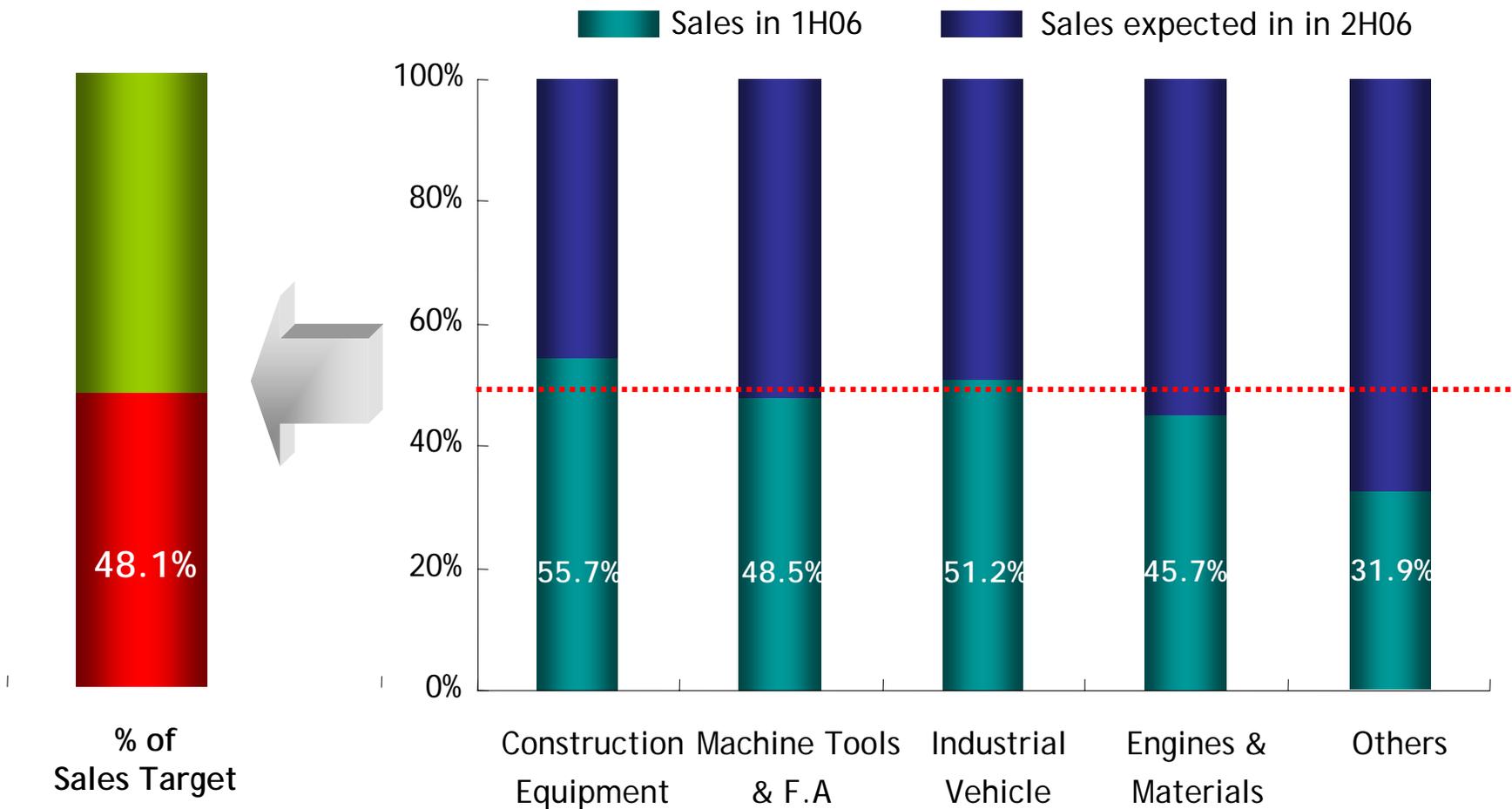
# Mid-term Business Plan (Parent + Subsidiaries)

Unit : KRW billion

	2005	2006E	2007E	2008E	2009E	2010E	CAGR
<b>Sales</b>	<b>3,112.5</b>	<b>3,641.9</b>	<b>4,265.0</b>	<b>5,180.9</b>	<b>6,422.0</b>	<b>7,865.3</b>	<b>20.4%</b>
Construction Equipment	1,121.2	1,373.6	1,731.0	2,057.7	2,532.3	3,245.0	23.7%
Machine Tools	662.6	803.7	903.0	1,051.8	1,327.2	1,594.9	19.2%
Industrial Vehicle	425.4	466.7	542.0	601.0	674.0	776.0	12.8%
Engines	441.5	500.4	593.2	765.6	938.2	1,187.9	21.9%
Others	461.8	497.5	495.8	704.8	950.3	1,061.5	18.1%
<b>Operating Profit</b>	<b>217.1</b>	<b>310.5</b>	<b>369.4</b>	<b>475.3</b>	<b>650.0</b>	<b>840.3</b>	<b>31.1%</b>
Construction Equipment	84.6	114.0	143.0	185.4	241.3	325.5	30.9%
Machine Tools	65.5	100.0	106.4	125.0	172.1	215.1	26.8%
Industrial Vehicle	10.8	20.1	24.0	28.1	37.2	48.9	35.3%
Engines	7.5	23.7	33.0	39.7	53.5	74.0	58.1%
Others	48.7	52.7	63.0	97.1	145.9	176.8	29.4%
<b>Operating Margin</b>	<b>7.0%</b>	<b>8.5%</b>	<b>8.7%</b>	<b>9.2%</b>	<b>10.1%</b>	<b>10.7%</b>	
Construction Equipment	7.5%	8.3%	8.3%	9.0%	9.5%	10.0%	
Machine Tools	9.9%	12.4%	11.8%	11.9%	13.0%	13.5%	
Industrial Vehicle	2.5%	4.3%	4.4%	4.7%	5.5%	6.3%	
Engines	1.7%	4.7%	5.6%	5.2%	5.7%	6.2%	
Others	10.5%	10.6%	12.7%	13.8%	15.4%	16.7%	

# 2006 Business Target - Sales (Parent)

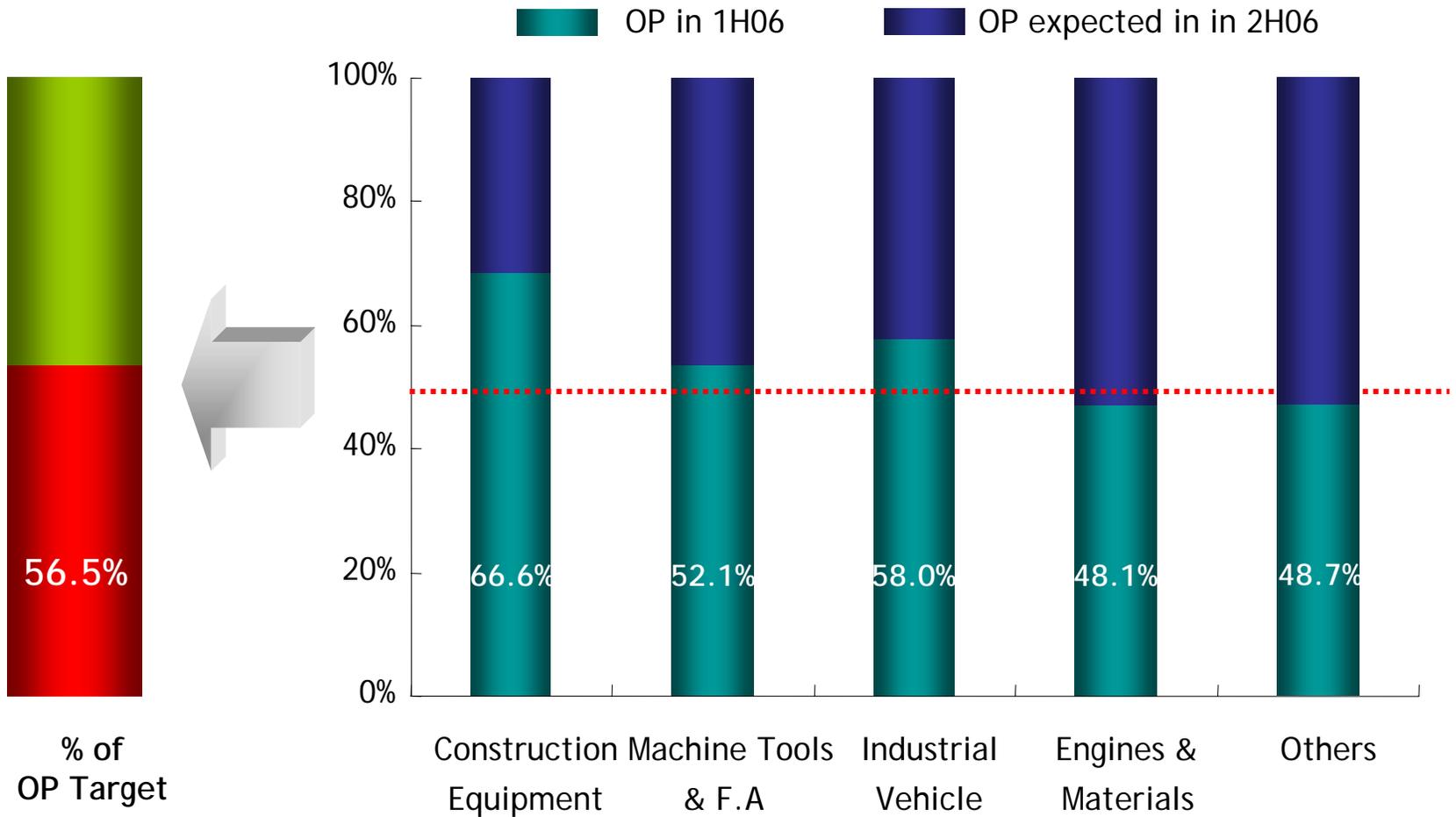
Sales on track to reach 2006 business target  
 More than 70% of defense sales are expected in 2H



# 2006 Business Target - Operating Profit (Parent)



Exceeding expectations during 1H thanks to better than expected construction equipment, machine tools and industrial vehicle divisions



# Thank You



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