

2Q06 Results

# Investor Relations

Doosan Infracore



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\* 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.

# 2Q06 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
- However, consolidated recurring profit fell short of target in 2Q due to one-off items such as equity method losses related to Korea Aerospace Industries (KAI) and present value discount related to early redemption of debt. We plan to catch up with our target in 2H

Unit : KRW billion	Parent			Overseas Subsidiaries			Parent + Overseas Subsidiaries		
	Result	Relative To Target	YoY	Result	Relative To Target	Result	Relative To Target	YoY	
Sales	825.7	2.2%	14.1%	453.9	-0.2%	947.7	-1.7%	9.2%	
COGS Ratio (%)	76.1%	-0.2%p	-3.5%p	85.3%	9.2%p	72.9%	-1.4%p	-3.0%p	
Operating Profit	85.0	25.6%	52.9%	27.6	-24.2%	107.1	21.8%	35.2%	
OP Margin (%)	10.3%	1.9%p	2.6%p	6.1%	-1.9%p	11.3%	2.2%p	2.2%p	
Recurring Profit	59.0	-13.0%	-14.6%	23.0	-35.9%	65.7	-13.8%	-20.4%	



# 2Q06 Summarized Income Statement

- Strong exports of construction and machine tool divisions triggered a 14.1% YoY sales growth in 2Q at the parent basis, despite sluggish sales of the defense division

➔ **Despite adverse effects from won appreciation, sustained sales growth is indicative of the strong competitiveness of Doosan Infracore**

- Operating profit surged 52.9% YoY in 2Q on the back of increased contribution from high-margin construction equipment and machine tool divisions
- However, recurring profit fell 14.6% YoY in 2Q due to one-off items such as equity method losses related to KAI and present value discount related to early redemption of debts

Unit : KRW billion	1H06	2Q06	QoQ	YoY	1Q06	2Q05
Sales	1,553.3	825.7	13.5%	14.1%	727.6	723.4
Gross Profit	368.9	197.2	14.9%	33.6%	171.7	147.6
(GP Margin)	23.7%	23.9%			23.6%	20.4%
Operating Profit	145.6	85.0	40.3%	52.9%	60.6	55.6
(OP Margin)	9.4%	10.3%			8.3%	7.7%
Recurring Profit	116.6	59.0	2.4%	-14.6%	57.6	69.1
(RP Margin)	7.5%	7.1%			7.9%	9.6%

# Balance Sheet as of Jun. 2006

- Liabilities/equity ratio marginally deteriorated from 140.6% in 2Q05 to 141.2% in 2Q06
- Net debt/equity ratio improved from 47.1% in 2Q05 to 39.9% in 2Q06

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%

# 2006 Business Target

Unit : KRW billion	1H06 Sales	2H06E Sales	2006E Sales	% of Target
Construction Equipment	616.2	489.9	1,106.1	55.7%
Machine Tools & F.A	351.1	372.2	723.3	48.5%
Industrial Vehicle	224.1	213.8	437.9	51.2%
Engines & Materials	179.7	213.4	393.1	45.7%
Others	182.2	389.0	571.2	31.9%
<b>Total</b>	<b>1,553.3</b>	<b>1,678.4</b>	<b>3,231.7</b>	<b>48.1%</b>

Unit : KRW billion	1H06 OP	2H06E OP	2006E OP	% of Target
Construction Equipment	57.1	28.6	85.7	66.6%
Machine Tools & F.A	48.1	44.3	92.4	52.1%
Industrial Vehicle	10.9	7.9	18.8	58.0%
Engines & Materials	11.4	12.3	23.7	48.1%
Others	18.1	19.1	37.2	48.7%
<b>Total</b>	<b>145.6</b>	<b>112.2</b>	<b>257.8</b>	<b>56.5%</b>

- Sales and OP exceeded 1H target by respective 2.2% and 25.6%
- We should easily reach our annual business target in 2006

# Result & Outlook By Division

Doosan Infracore

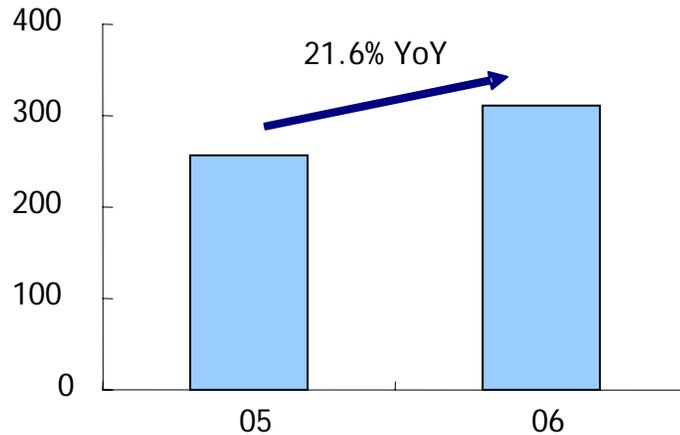


The background of the slide features a faded image of various construction and industrial equipment, including excavators, a forklift, and a truck, set against a light, hazy landscape. Overlaid on this background are several thick, diagonal lines in shades of blue and green that sweep across the frame from the top left towards the bottom right.

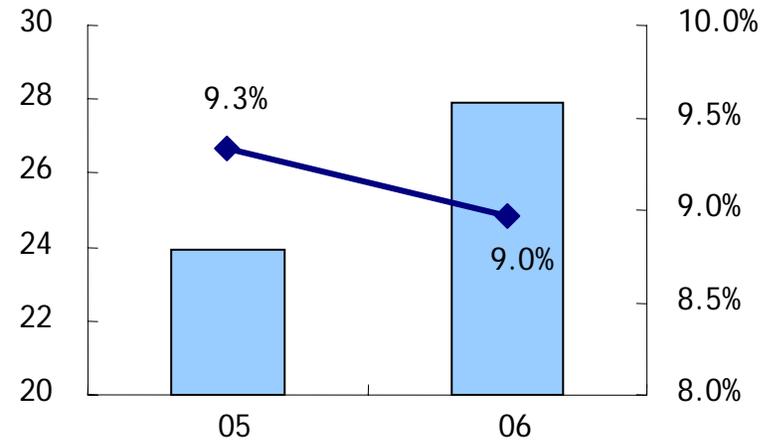
# Result & Outlook - Construction Equipment

Unit : KRW billion

Sales Growth 2Q05 → 2Q06



OP Growth 2Q05 → 2Q06

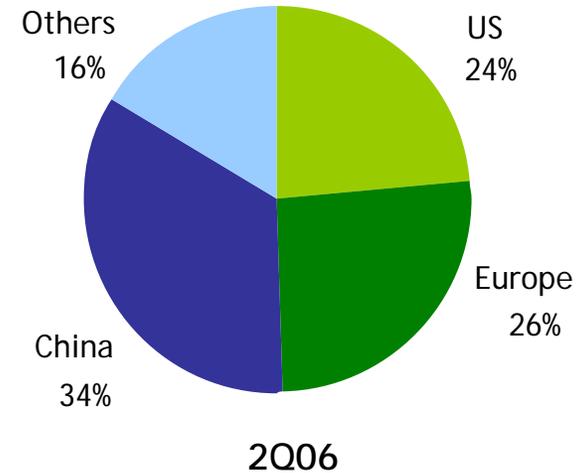
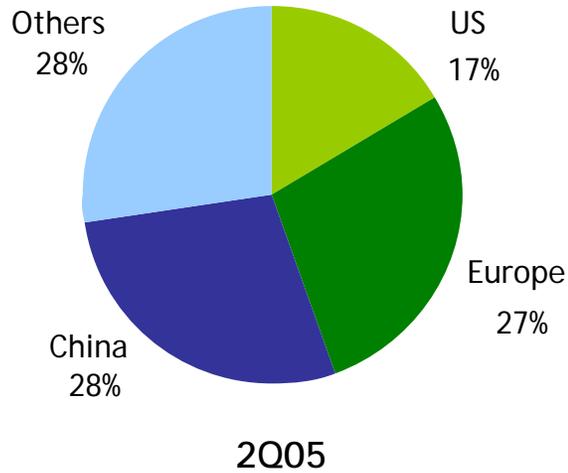


## 2Q06 Result & 2H06 Outlook

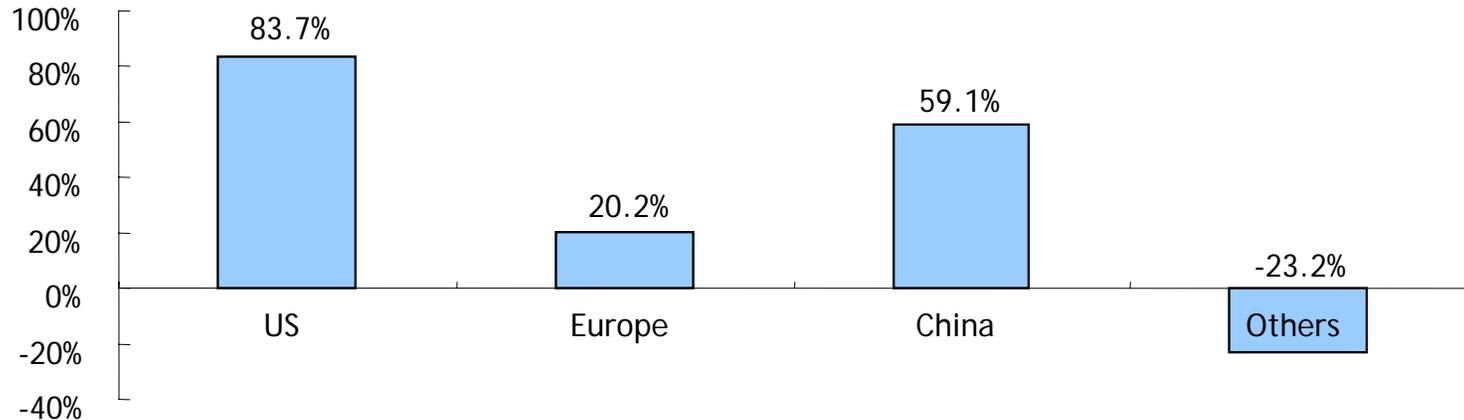
- 2Q sales showed a strong YoY growth due to surging exports, particularly in China and US
- Reasons behind the +29.8%YoY increase in exports
  - Remarkable 83.7% and 59.1% growth in key strategic markets US and China
  - New model release, market share gains in US, Europe and Middle East
- OP margin in 2Q declined due to reduced domestic sales, which command relatively higher margin
- 2H Outlook
  - Sustained sales growth given continued growth in key strategic markets US and China
  - Improvement in OP margin due to turnaround in the domestic market in the aftermath of the recent damage from floods and export growth from the profitable US and China markets

# Result & Outlook - Construction Equipment

## Change in Export Breakdown



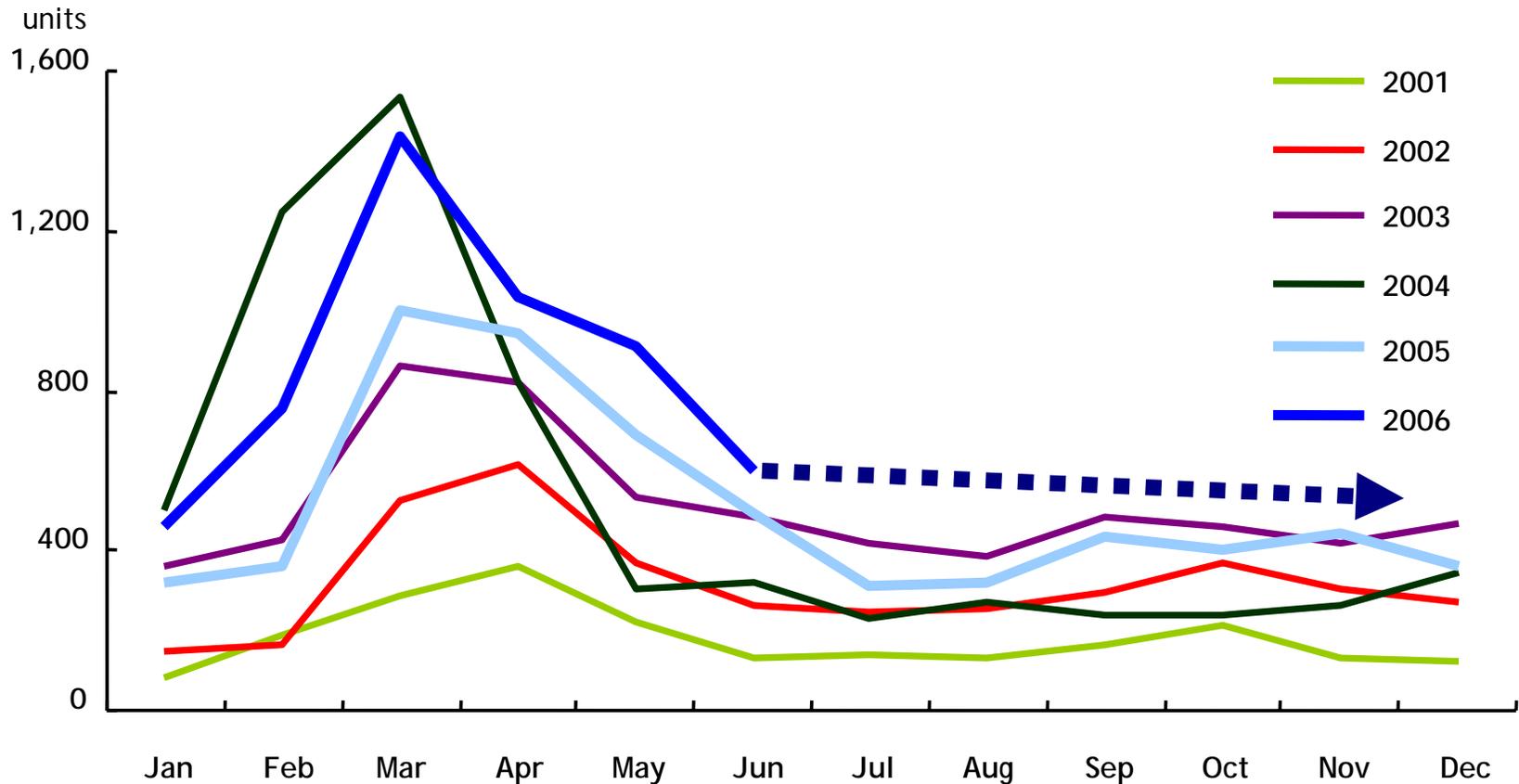
## Sales Growth By Region



# Result & Outlook - Construction Equipment (DICC)



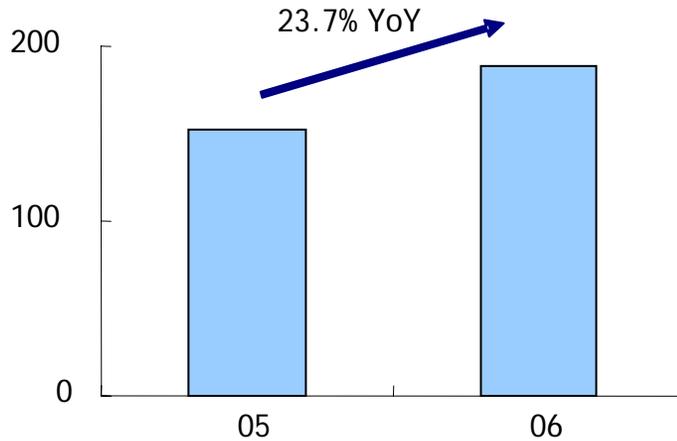
- Excavator sales at Doosan Infracore China in 1H grew 36.2% YoY
- Given the long-term SOC projects expected for the development of Western China and rural areas, we anticipate high YoY sales volume growth despite potential austerity measures in 2H



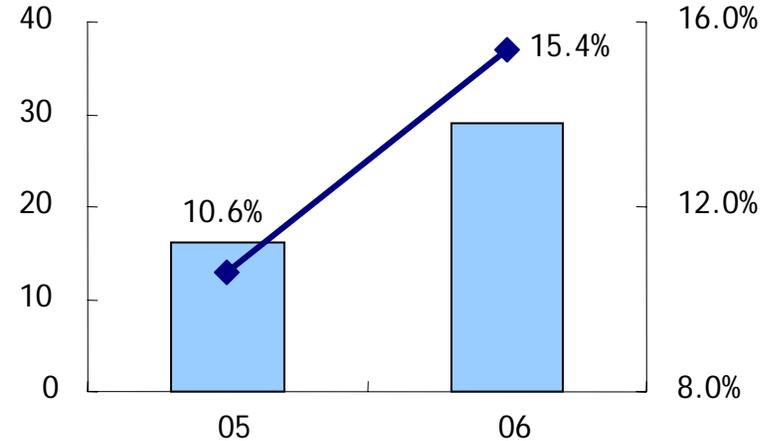
# Result & Outlook - Machine Tools & F.A.

Unit : KRW billion

Sales Growth 2Q05 → 2Q06



OP Growth 2Q05 → 2Q06

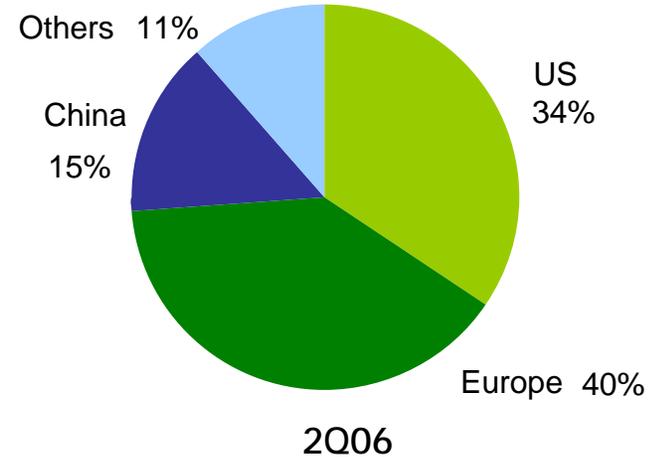
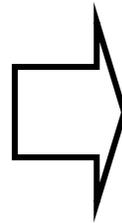
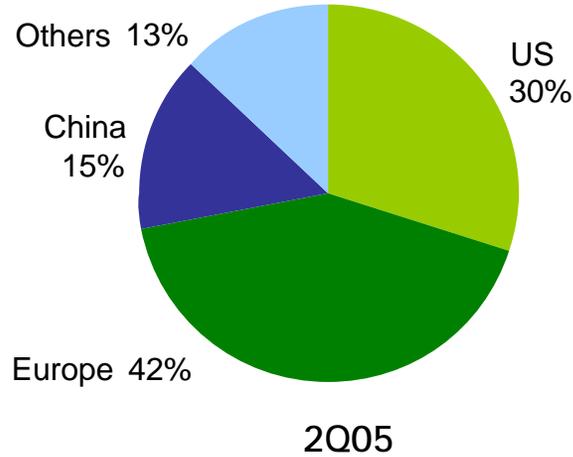


## 2Q06 Result & 2H06 Outlook

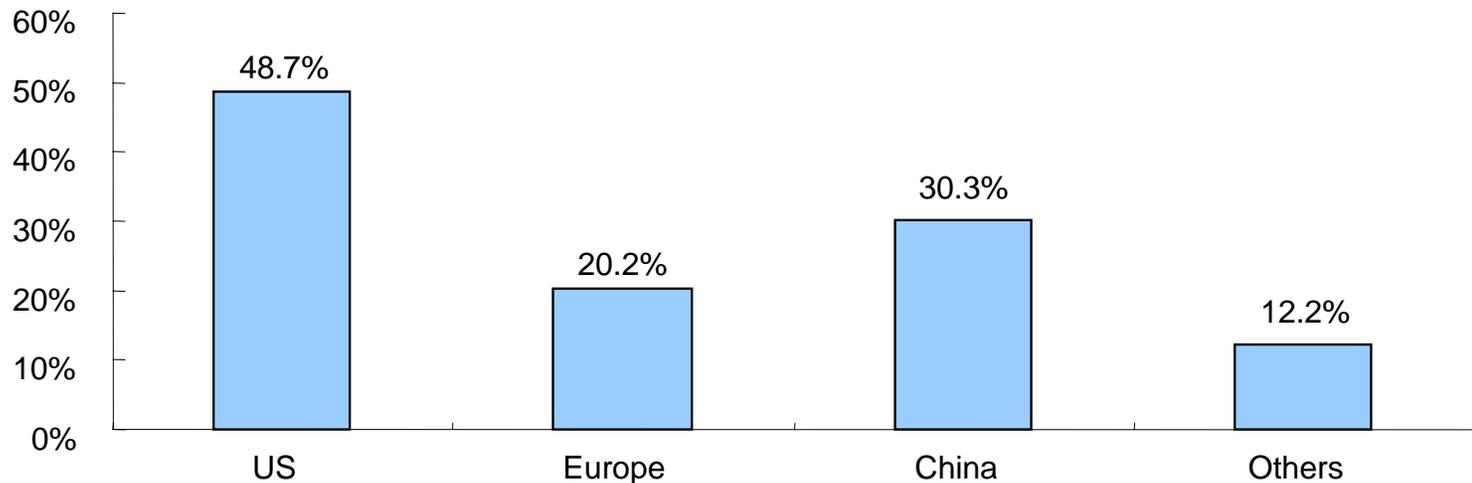
- Thanks to favorable sales of profitable high-end products (e.g. multitasking turning centers), sales rose 23.7% YoY and OP margin improved by 4.8%p to a historic-high of 15.4% in 2Q
- Enhanced competitiveness in the export market enabled a surge in exports during 2Q
  - Recording growths of +48.7%YoY in US, +20.2%YoY in Europe, +30.3%YoY in China
- 2H Outlook
  - With participation in exhibitions in US and Europe in 2H, export growth should be sustainable
  - Continued domestic sales and exports of high-end products should lead to firm OP growth

# Result & Outlook - Machine Tools & F.A.

## Change in Export Breakdown



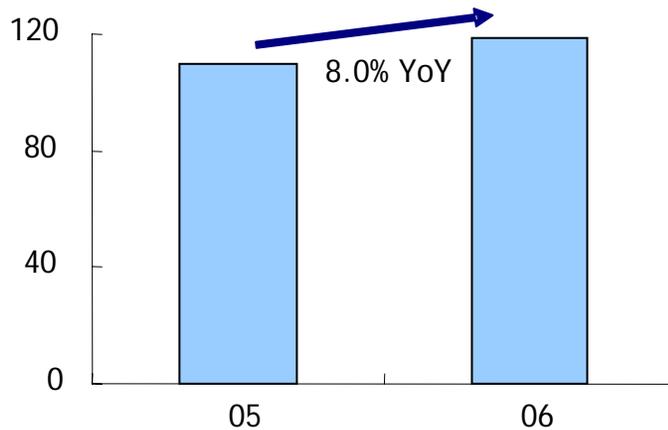
## Sales Growth By Region



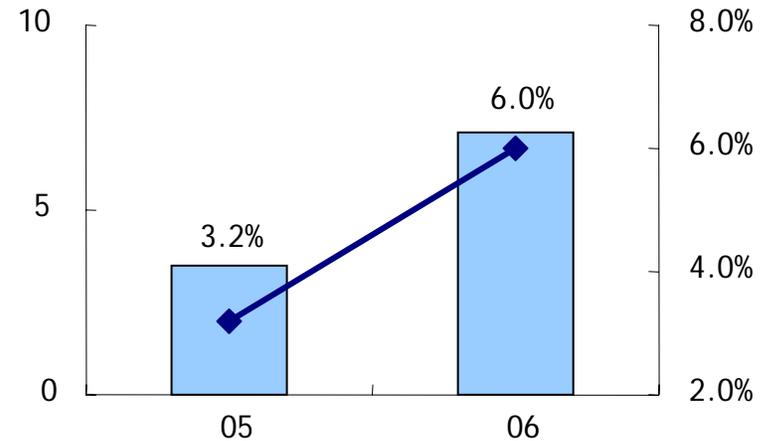
# Result & Outlook - Industrial Vehicle

Unit : KRW billion

Sales Growth 2Q05 → 2Q06



OP Growth 2Q05 → 2Q06

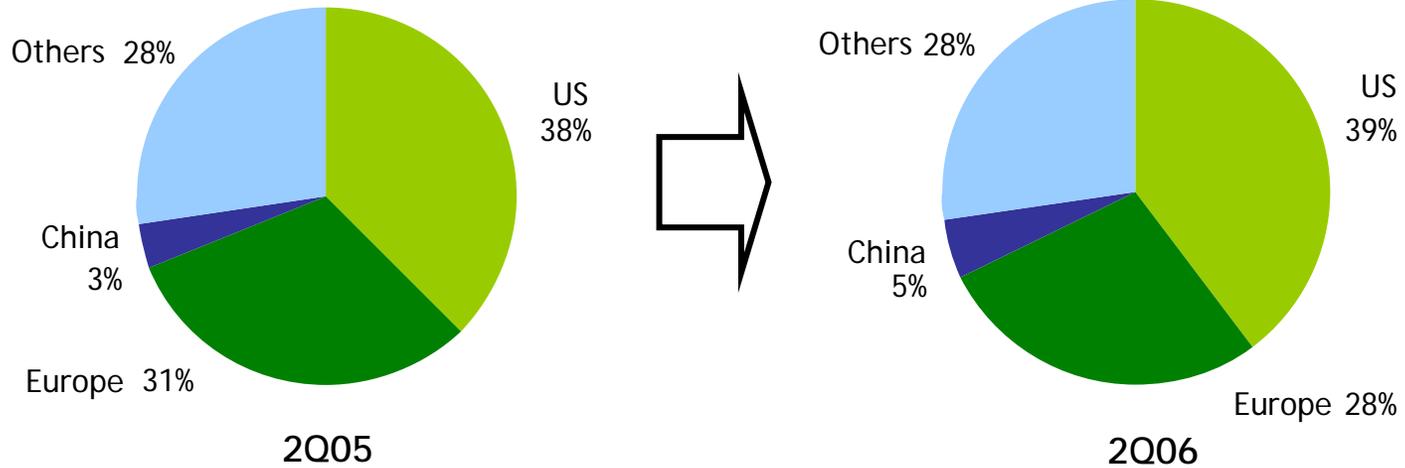


## 2Q06 Result & 2H06 Outlook

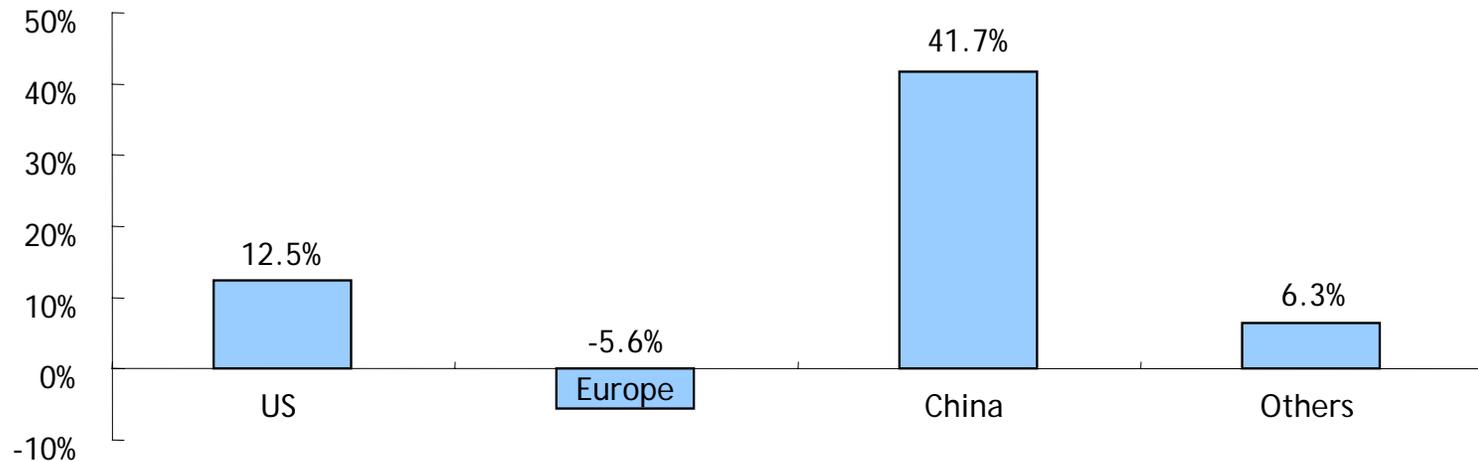
- Although sales grew by a meager 8.0% YoY, OP margin stepped up to 6.0% in 2Q
- Reasons behind improved results
  - Market share expansion in US and domestic market
  - Full-fledged impact from price hike, new model release and cost reduction
- 2H Outlook
  - Sales growth based on stronger dealer network & marketing efforts to secure potential customers
  - Enhanced OP margin thanks to cost reduction and launch of new electric powered forklift trucks

# Result & Outlook - Industrial Vehicle

## Change in Export Breakdown

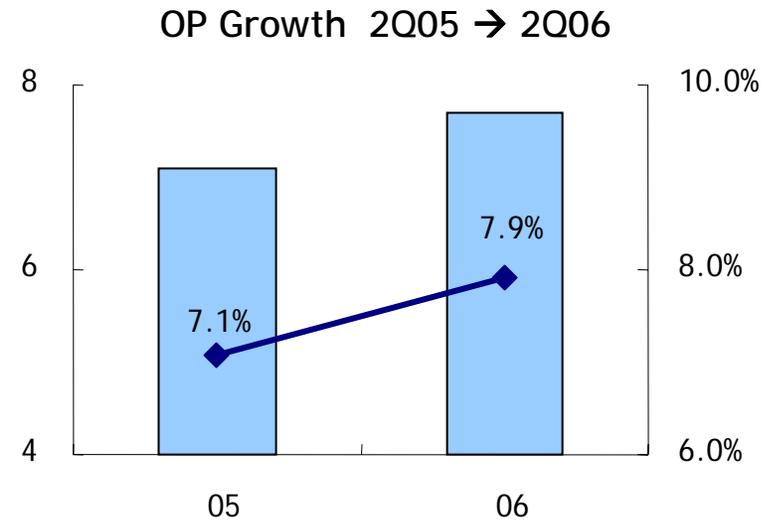
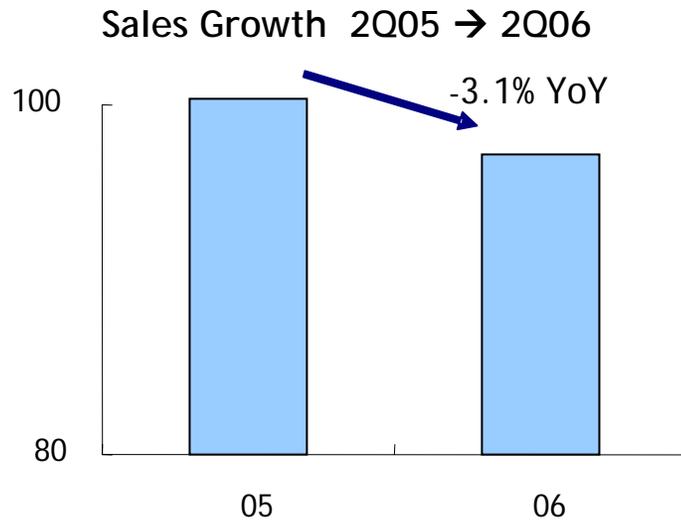


## Sales Growth By Region



# Result & Outlook - Engines & Materials

Unit : KRW billion

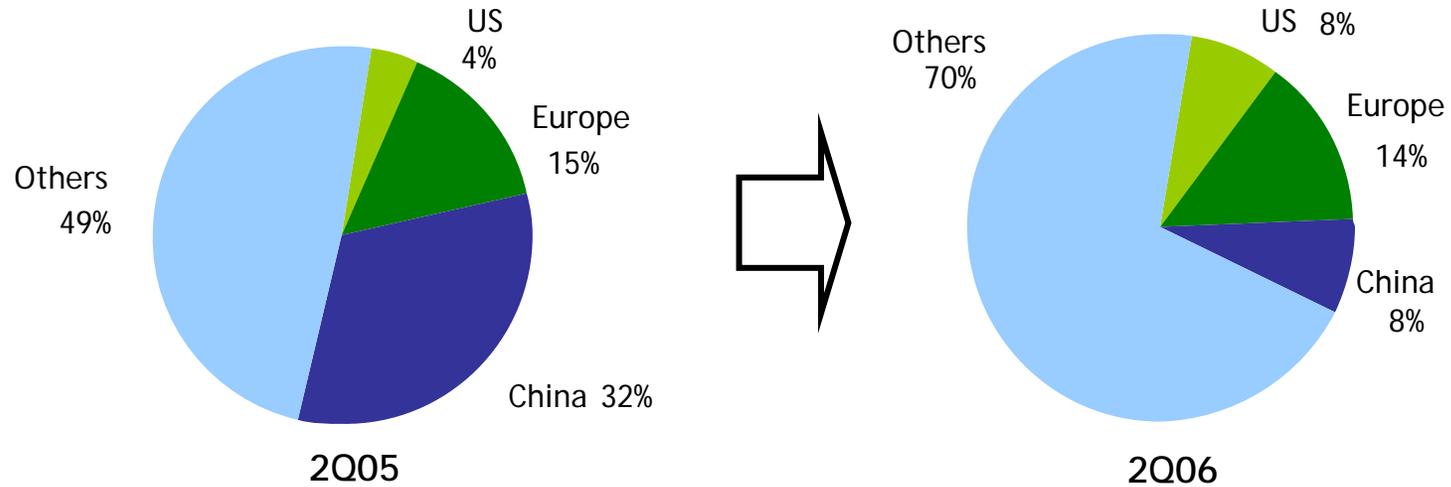


## 2Q06 Result & 2H06 Outlook

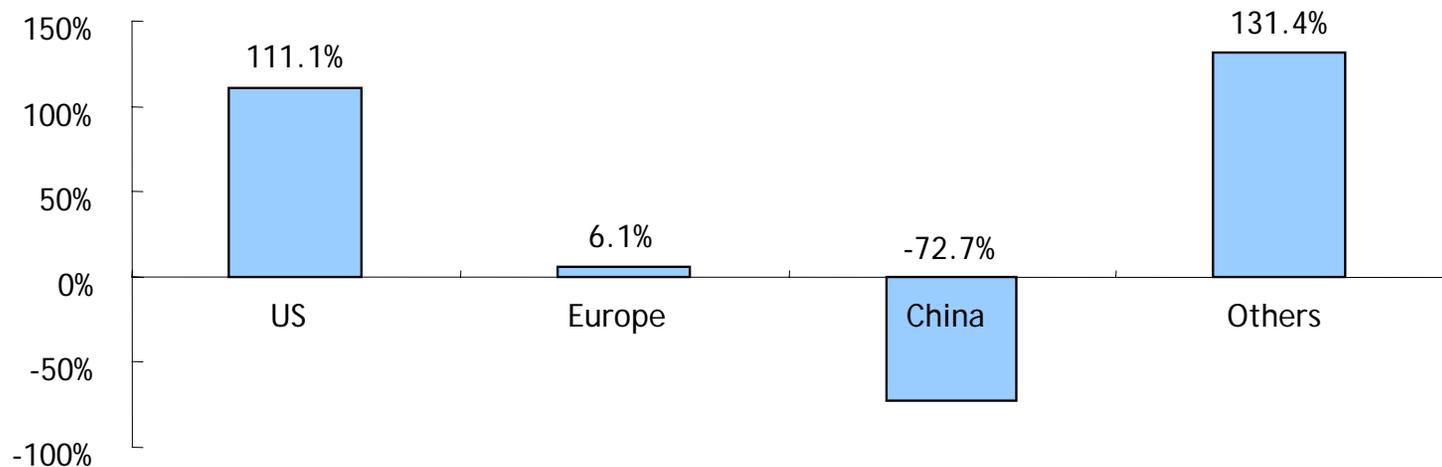
- Sales fell 3.1% YoY, while OP margin improved to from 7.1% in 2Q05 to 7.9% in 2Q06
- Reasons behind improved profitability, despite declining sales
  - Reduced demand for commercial vehicle engines in line with slowing construction cycle, despite growing domestic demand for CNG engines and overseas demand for ship engines
  - Higher contribution from profitable ship engines and CNG engines boosted OP margin
- 2H Outlook
  - Double-digit sales growth expected with sustained CNG engine sales and diversified customer base
  - OP margin should also continue to increase on the back of better product mix

# Result & Outlook - Engines & Materials

## Change in Export Breakdown



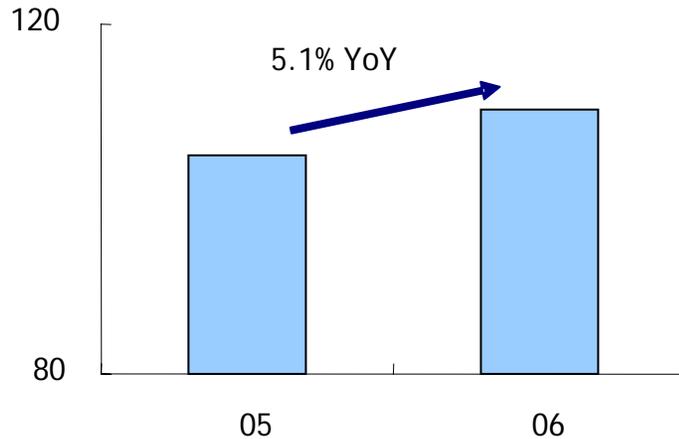
## Sales Growth By Region



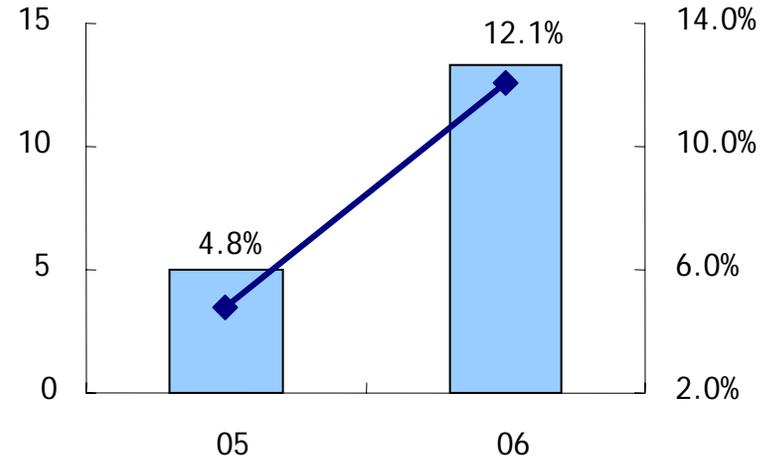
# Result & Outlook - Others

Unit : KRW billion

Sales Growth 2Q05 → 2Q06



OP Growth 2Q05 → 2Q06



## 2Q06 Result & 2H06 Outlook

- Sales rose 5.1% YoY, while OP margin surged to 12.1% in 2Q
- Reasons behind improved results
  - Early delivery of 'Chunma' (armored vehicle) and increased a/s sales following export growth
  - Margin enhancement on the back of better product mix of defense division and greater sales contribution from profitable a/s parts sales
- 2H Outlook
  - As more than 70% of defense sales is concentrated in 2H, others revenue should further increase
  - However, we expect margin contraction given low OP margin contribution of defense business

# Appendix 1 : Breakdown By Division

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	774.9	723.4	825.7	275.3	256.1	311.3	137.1	152.3	188.4	106.2	109.8	118.6	121.5	100.3	97.2	134.8	104.9	110.2
YoY	24%	-7%	14%	10%	-7%	22%	63%	11%	24%	20%	3%	8%	97%	-17%	-3%	-2%	-22%	5%
Domestic Sales	402.0	290.5	293.9	119.7	55.1	50.5	48.8	51.3	57.9	46.0	41.2	45.8	70.0	55.6	47.1	117.5	87.3	92.6
YoY	14%	-28%	1%	3%	-54%	-8%	83%	5%	13%	5%	-10%	11%	57%	-21%	-15%	-4%	-26%	6%
Exports	372.9	432.9	531.8	155.6	201.0	260.8	88.3	101.0	130.5	60.2	68.6	72.8	51.5	44.7	50.1	17.3	17.6	17.6
YoY	38%	16%	23%	15%	29%	30%	54%	14%	29%	34%	14%	6%	201%	-13%	12%	11%	2%	0%
Operating Profit	79.0	55.6	85.0	32.3	23.9	27.9	13.8	16.1	29.0	8.2	3.5	7.1	8.7	7.1	7.7	16.0	5.0	13.3
OP Margin (%)	10.2%	6.8%	10.3%	11.7%	9.3%	9.0%	10.1%	10.6%	15.4%	7.7%	3.2%	6.0%	7.2%	7.1%	7.9%	11.9%	4.8%	12.1%

# Appendix 2 : Breakdown of Exports by Region

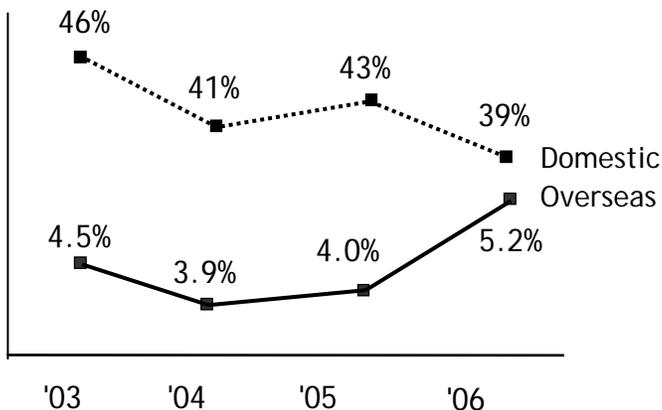
Unit : KRW billion

(Unit : KRW billion)	2005	2006	2005				2006			
			US	Europe	China	Others	US	Europe	China	Others
Total	432.9	531.8	94.1	131.1	90.7	117.0	142.8	150.1	120.0	118.9
(YoY)		22.8%					51.8%	14.5%	32.3%	1.6%
Construction Equipment	201.0	260.8	33.7	55.5	56.3	55.5	61.9	66.7	89.6	42.6
(YoY)		29.8%					83.7%	20.2%	59.1%	-23.2%
Industrial Vehicle	101.0	130.5	30.2	42.5	15.2	13.1	44.9	51.1	19.8	14.7
(YoY)		29.2%					48.7%	20.2%	30.3%	12.2%
Machine Tools & F.A	68.6	72.8	25.7	21.6	2.4	18.9	28.9	20.4	3.4	20.1
(YoY)		6.1%					12.5%	-5.6%	41.7%	6.3%
Engines & Materials	44.7	50.1	1.8	6.6	14.3	22.0	3.8	7.0	3.9	35.4
(YoY)		12.1%					111.1%	6.1%	-72.7%	60.9%
Others	17.6	17.6	2.7	4.9	2.5	7.5	3.3	4.9	3.3	6.1
(YoY)		0.0%					22.2%	0.0%	32.0%	-18.7%

# Appendix 3 : Market Share Trend

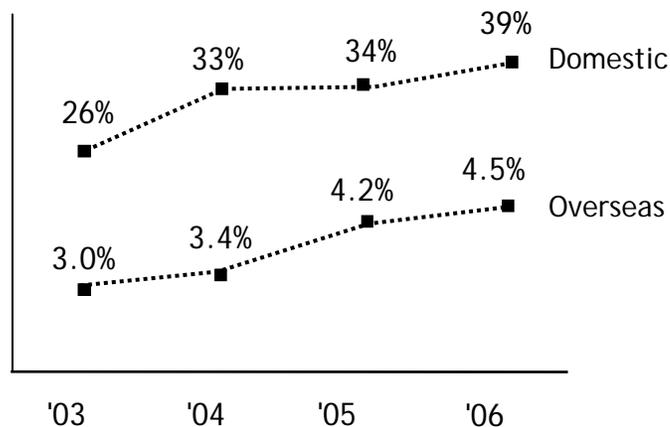
Unit : %

Construction Equipment



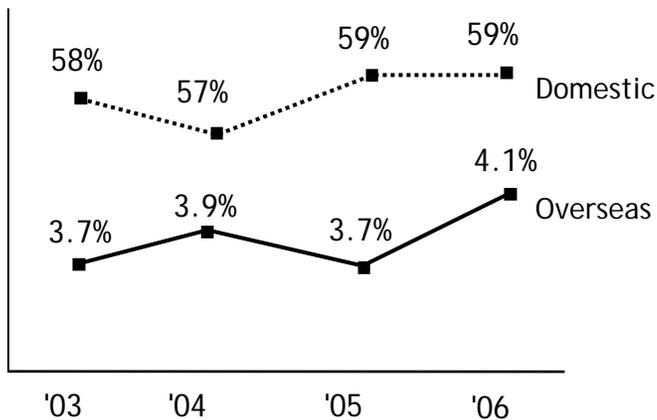
※ Source : Off Highway Research

Machine Tools



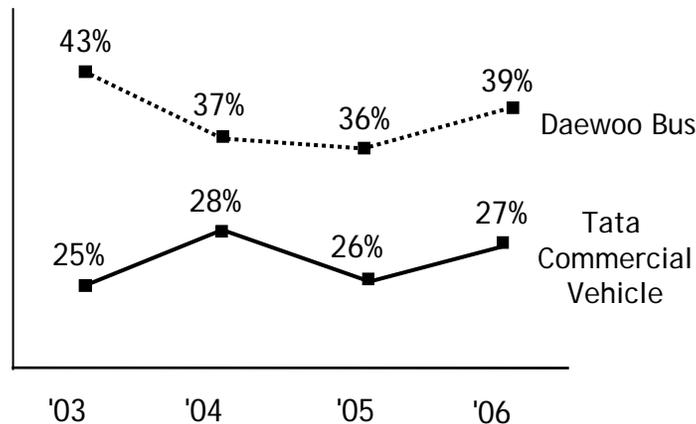
※ Metal working inside report  
 ※ WITS Shipment Basis (ITA Basis in US)

Industrial Vehicle



※ WITS Shipment Basis (ITA Basis in US)

Engines



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

# Thank You



Contact: IR TEAM

KO Nam, Director, 822) 3398-8340 / JS Yang, Manager, 822) 3398-8341 / J Yoon, Manager, 822 )3398-8344 / HM Lee, Staff, 822) 3398-8343