



Doosan Infracore

Doosan Infracore 3Q 06 Results



- 1** **Company Overview**
- 2** **3Q06 Results**
- 3** **Result & Outlook By Division**

Overview

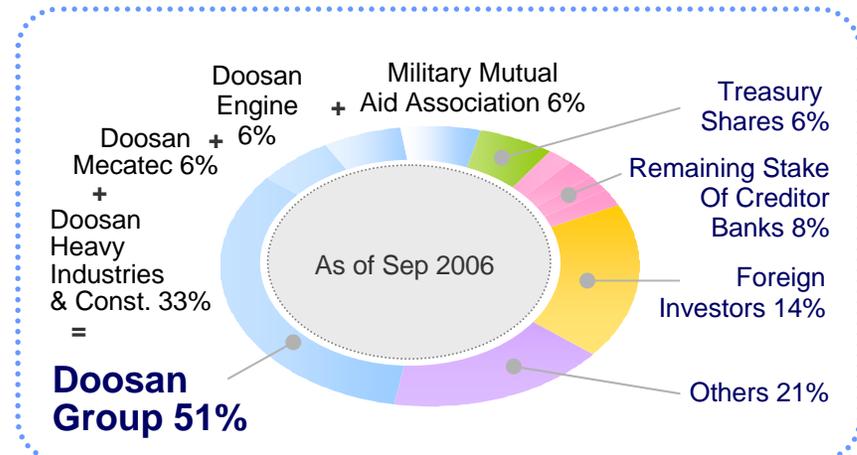
Doosan Infracore is the largest machinery company in Korea and also a leading global infrastructure support business (ISB) company that has guided the development of Korea's machinery industry since its establishment in 1937



Corporate Data

CEO	Choe, Sung-Chul
Paid-in Capital	KRW840.8 billion (As of Sep. 2006)
Outstanding Shares	168,157,384 shares
Market Capitalization	KRW3,153.0 billion (As of Sep. 2006)
Employees	4,635 (As of Sep. 2006)

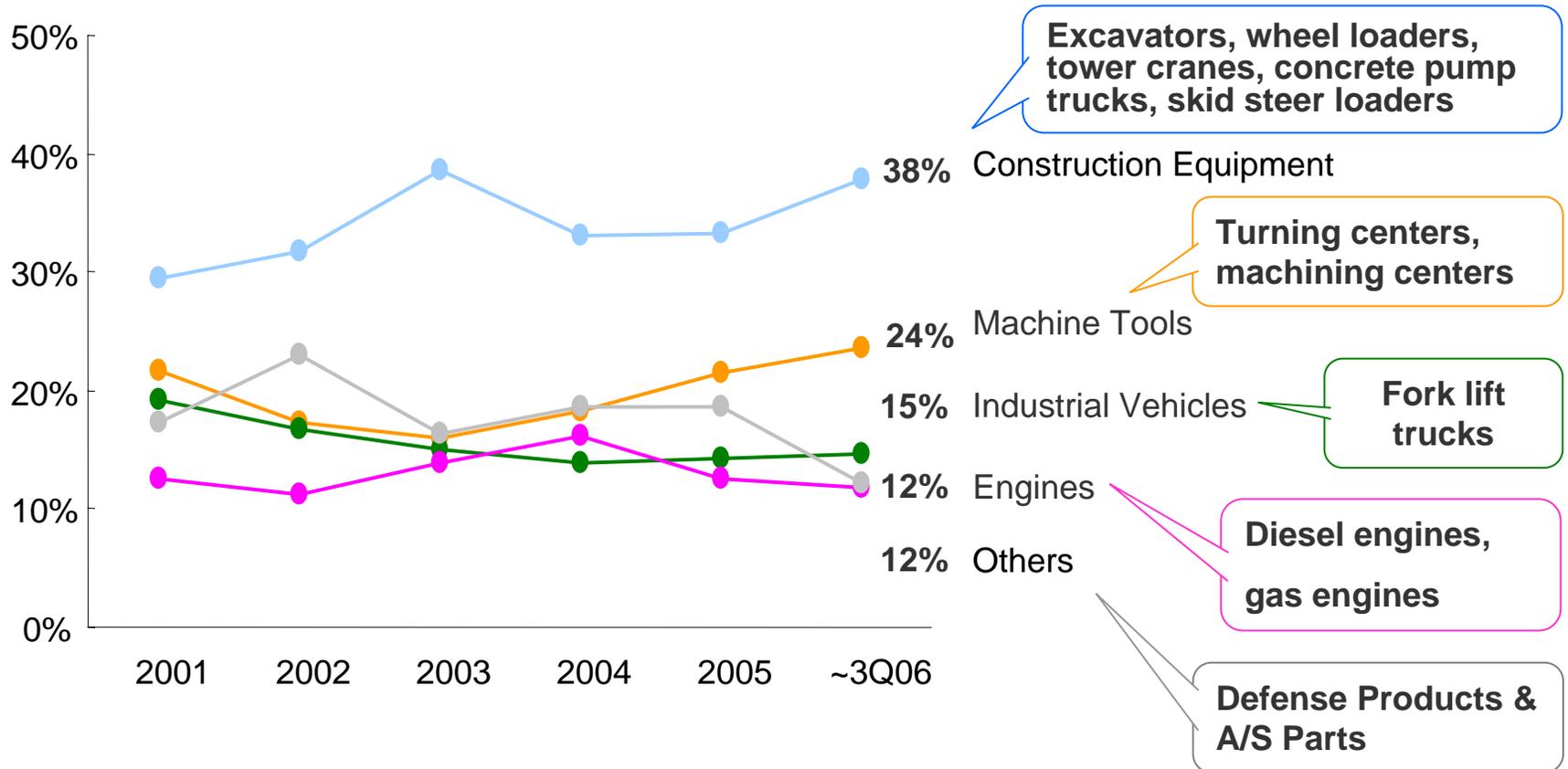
Shareholder Structure



Business Area

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

Sales Breakdown (01~Cumulative 3Q06)



Production Capacity by BG in 2006

	Domestic Production	Overseas Production
Construction Equipment	Excavator : 10,000 units/year Wheel Loader : 1,500 units/year Concrete Pump Truck : 100 units/year Others : 100 units/year	Doosan Infracore China (China) Excavator : 14,500 units/year Euro Doosan Infracore (Belgium) Excavator : 1,450 units/year
Machine Tools	TC/MC : 7,200 units/year Automation System : KRW 80 billion/year	Doosan Infracore Yantai (China) TC/MC : 1,000 units/year
Industrial Vehicle	Fork Lift Truck : 30,000 units/year	Doosan Infracore China (China) Fork Lift Truck : 3,600 units/year
Diesel Engine	Diesel Engine & Others : 56,000 units/year	

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3Q06 Key Results (Parent + Overseas Subsidiaries)

- Consolidated results in 3Q06 improved substantially on YoY basis, although it fell short of internal targets due to the production setback during the delayed wage & benefits negotiation. However, we should exceed the annual target given the catch-up plans set for 4Q.
- Consolidated sales grew 15.6% YoY.
- Consolidated OP and RP surged 39.0% YoY and 96.6% YoY, respectively.

Unit : KRW billion	Parent			Overseas Subsidiaries		Parent + Overseas Subsidiaries		
	Result	Relative To Target	YoY	Result	YoY	Result	Relative To Target	YoY
Sales	720.8	-10.8%	2.7%	344.6	0.1%	795.2	-9.0%	15.6%
COGS Ratio (%)	76.7	13.9%p	19.5%p	86.6	-0.7%p	74.1	-9.8%p	14.6%
Operating Profit	48.5	-18.8%	94.0%	15.5	25.0%	57.6	-16.2%	39.0%
OP Margin (%)	6.7	-0.7%p	3.2%p	4.5	0.9%p	7.2	-0.7%p	0.9%p
Recurring Profit	52.4	-3.5%	88.2%	12.0	-28.6%	53.6	0.4%	96.6%

3Q06 Summarized Income Statement

- Sales improved by 2.7% YoY in 3Q06, despite the lack of contribution from the defense division and the setback from the wage & benefits negotiation.
- Operating profit surged 94.0% YoY to KRW48.5 billion. Since the delayed production during 3Q worth KRW11.8 billion could be restored with the catch-up plan during 4Q, the actual operating profit would be KRW60.3 billion.
- Recurring profit in 3Q06 also grew significantly by 89% YoY thanks to the surge in operating profit.

Unit : KRW billion	3Q06	QoQ	YoY	2Q06	3Q05
Sales	720.8	-12.7%	2.7%	825.7	701.9
Gross Profit	1683	-14.7%	19.5%	1972	1409
(GP Margin)	23.3%			23.9%	20.1%
Operating Profit	48.5	-42.9%	94.0%	85.0	25.0
(OP Margin)	6.7%			10.3%	3.6%
Recurring Profit	52.4	-11.2%	88.6%	59.0	27.8
(RP Margin)	7.3%			7.1%	4.0%

Balance Sheet as of Sep. 2006

- Debt/equity and net debt/equity ratios continued to improve on YoY and QoQ comparison.

Unit : KRW billion	3Q06	QoQ	YoY	2Q06	3Q05
Current Assets	1,295.1	-2.4%	-12.0%	1,326.3	1,471.7
Fixed Assets	1,165.2	-2.6%	-1.1%	1,195.8	1,178.4
Total Assets	2,460.3	-2.4%	-7.2%	2,522.1	2,650.1
Debts	431.4	-8.4%	-38.2%	470.9	698.3
Other Liabilities	930.8	-14.7%	14.2%	1,005.7	814.8
Total Liabilities	1,362.2	-7.7%	-10.0%	1,476.5	1,513.1
Total Shareholders' Equity	1,098.1	5.0%	-3.4%	1,045.6	1,137.0
Liabilities/Equity Ratio	124%	-17.2%p	-9.0%p	141.2%	133%
Net debt/Equity Ratio	38%	-2.0%p	-6.0%p	39.9%	44%

2006 Business Target

Unit : KRW billion	~3Q06 Sales	4Q06E Sales	2006E Sales	% of Target
Construction Equipment	861.8	244.3	1,106.1	77.9%
Machine Tools & F.A	535.1	188.2	723.3	74.0%
Industrial Vehicle	333.5	104.4	437.9	76.2%
Engines & Materials	267.9	125.2	393.1	68.2%
Others	275.8	295.4	571.2	48.3%
Total	2,274.1	957.5	3,231.7	70.4%

Unit : KRW billion	~3Q06 OP	4Q06E OP	2006E OP	% of Target
Construction Equipment	68.9	16.8	85.7	80.4%
Machine Tools & F.A	75.4	17.0	92.4	81.6%
Industrial Vehicle	14.1	4.7	18.8	75.0%
Engines & Materials	16.6	7.1	23.7	70.0%
Others	19.1	18.1	37.2	51.3%
Total	194.1	63.7	257.8	75.3%

- Cumulative Sales and OP reached 70.4% and 75.4% of 2006 targets
- We should easily reach our annual business target in 2006 given the order status and strong demand situation

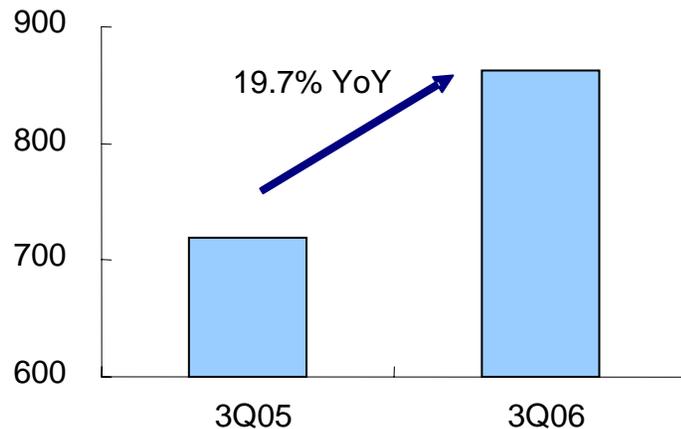
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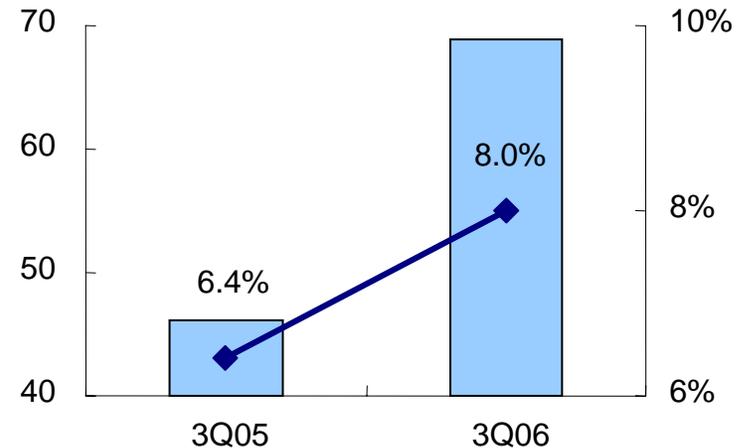
Result & Outlook – Construction Equipment

Unit : KRW billion

Cumulative Sales Growth 3Q05 → 3Q06



Cumulative OP Growth 3Q05 → 3Q06



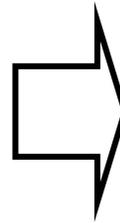
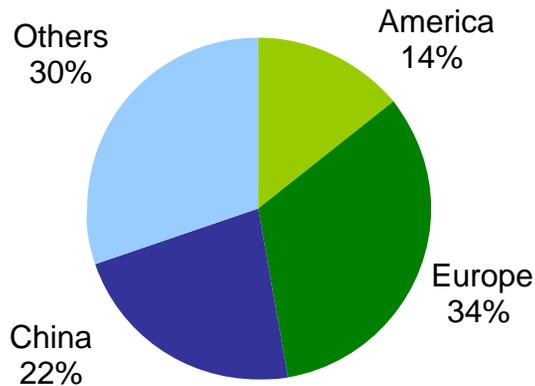
Cumulative 3Q06 Result & 4Q06 Outlook

- 3Q sales showed a strong 20% YoY growth due to stronger exports in America, China and Europe.
- Reasons behind the +28%YoY increase in exports :
 - Remarkable 80% and 67% growths in key strategic markets of America and China.
 - Sustained CKD volume to China and higher added-value due to new model releases.
- OP margin rose 1.6%p to 8% given better product-mix and contribution from profitable China market.
- 4Q Outlook
 - Recovery of domestic sales and sustained export growth in China, America and Europe.
 - Increased contribution from profitable China and Europe markets and catch-up plans for the lost production in 3Q should enhance profitability.

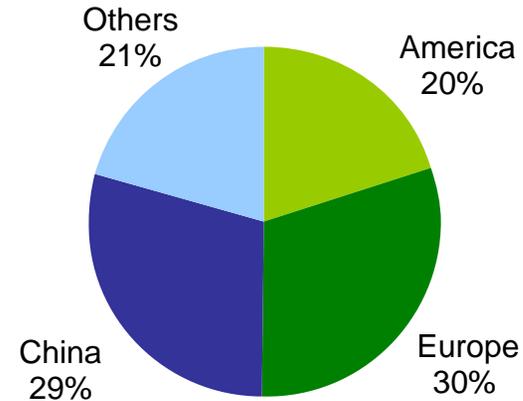
Result & Outlook – Construction Equipment

Change in Export Breakdown

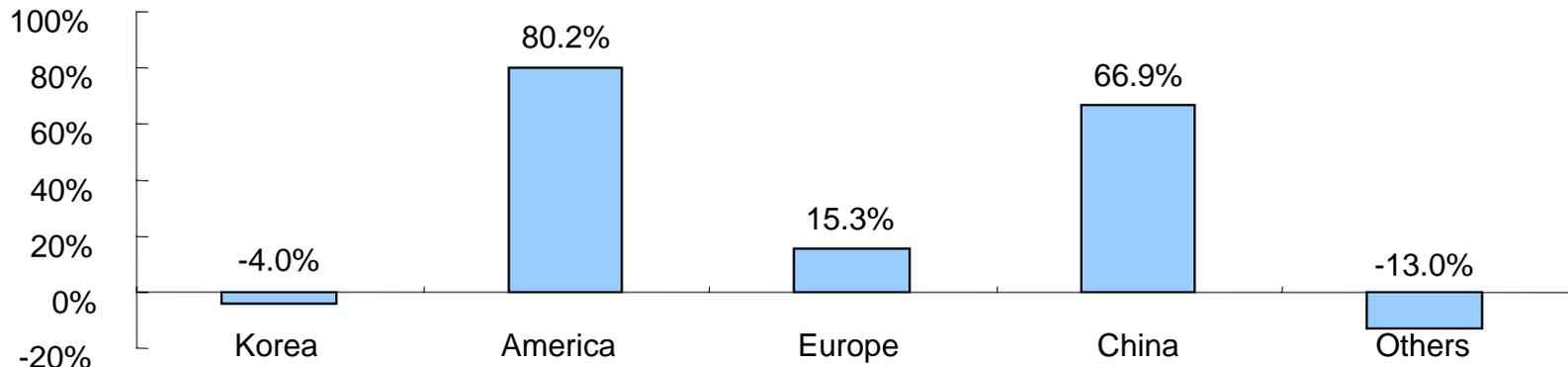
Cumulative 3Q05



Cumulative 3Q06

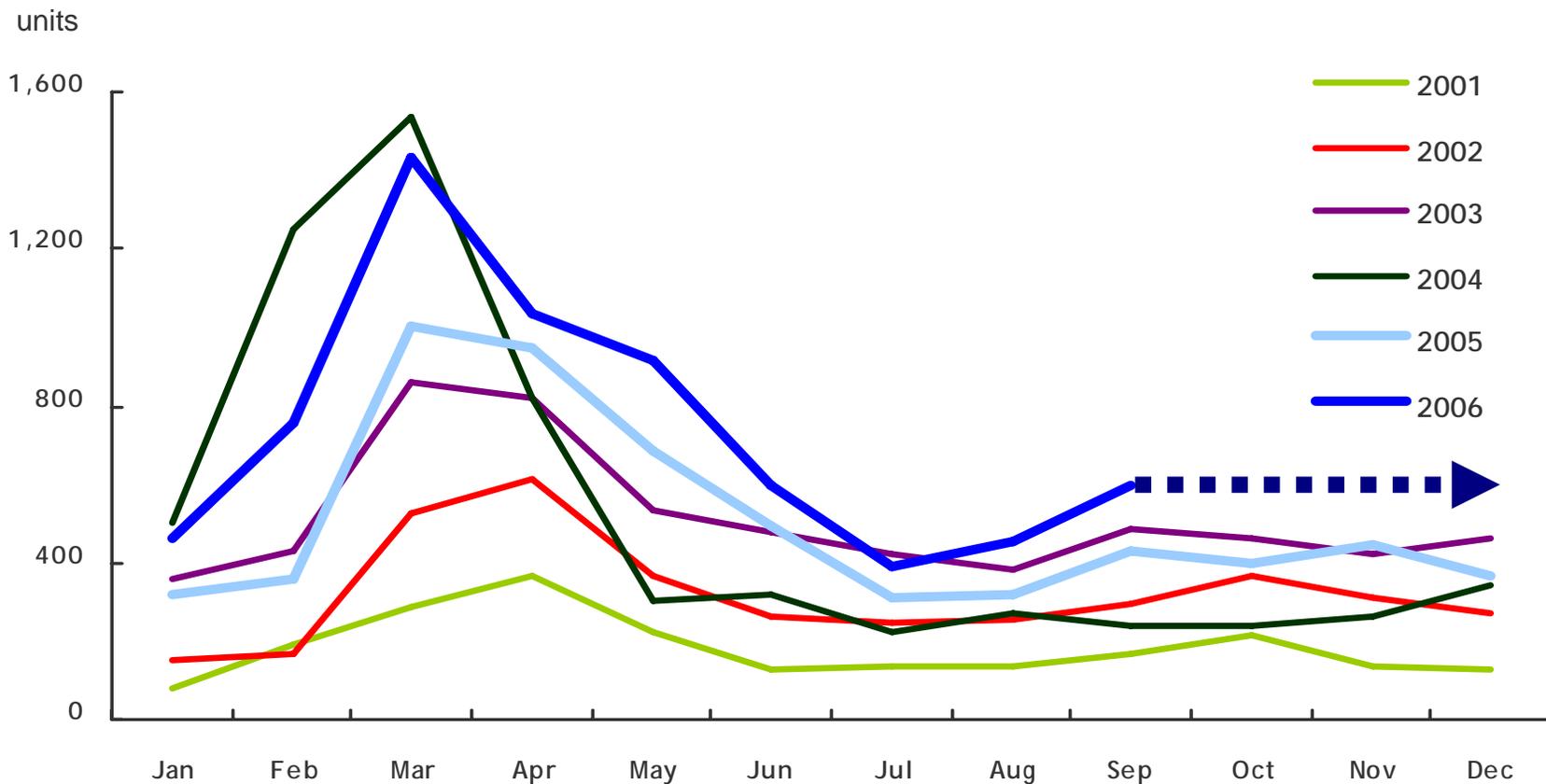


Cumulative Sales Growth By Region



Result & Outlook – Construction Equipment (DICCC)

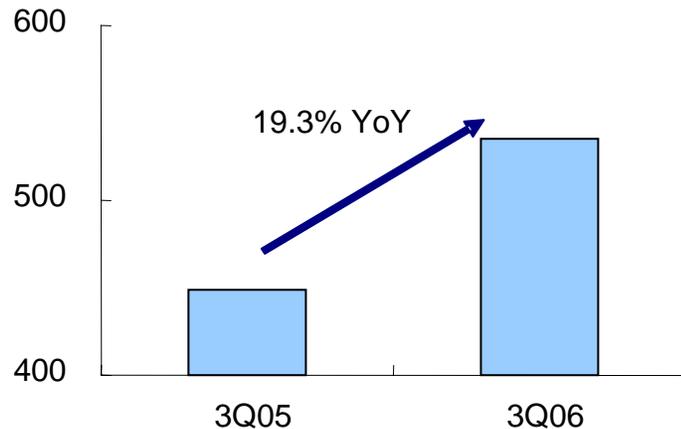
- Cumulative excavator sales at Doosan Infracore China grew 36% YoY.
- Given the long-term SOC projects expected for the development of Western China and rural areas, we anticipate high YoY sales volume growth in 4Q and 2007.



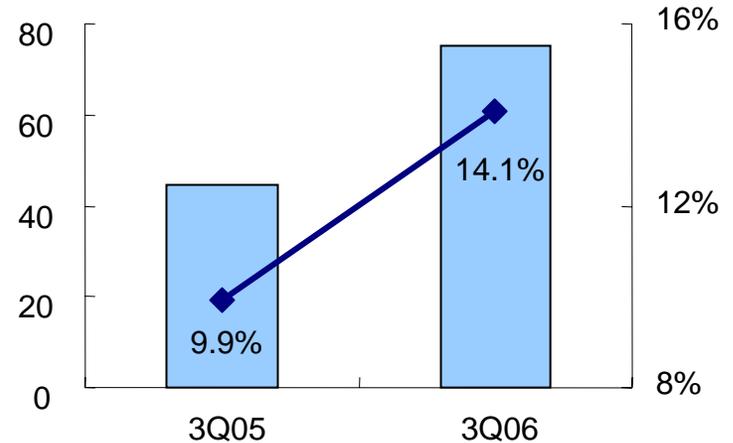
Result & Outlook – Machine Tools & F.A.

Unit : KRW billion

Cumulative Sales Growth 3Q05 → 3Q06



Cumulative OP Growth 3Q05 → 3Q06

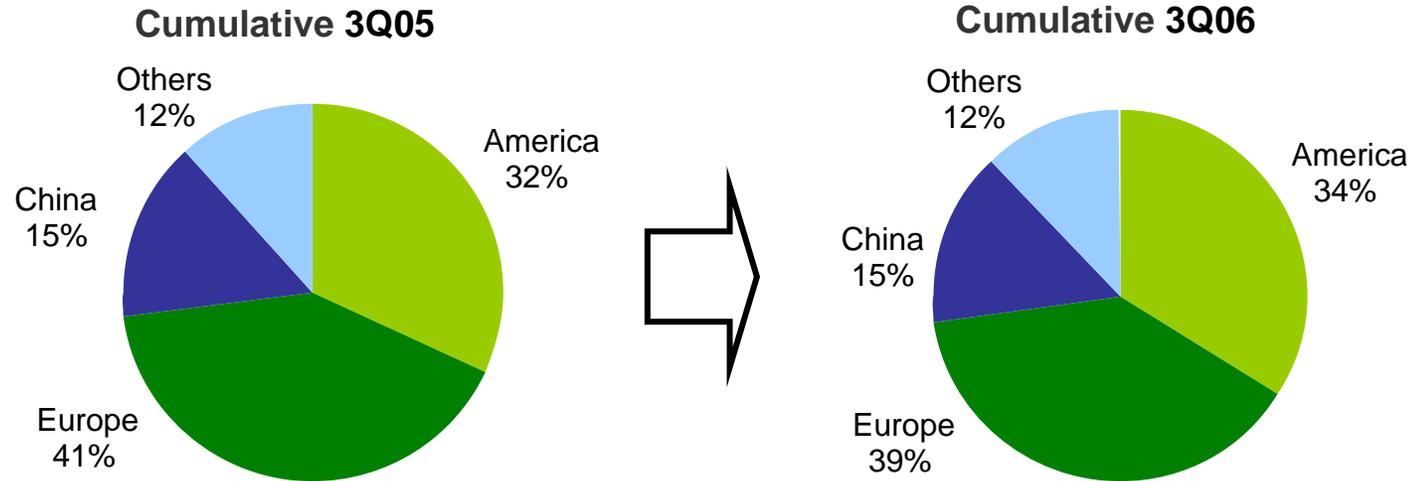


Cumulative 3Q06 Result & 4Q06 Outlook

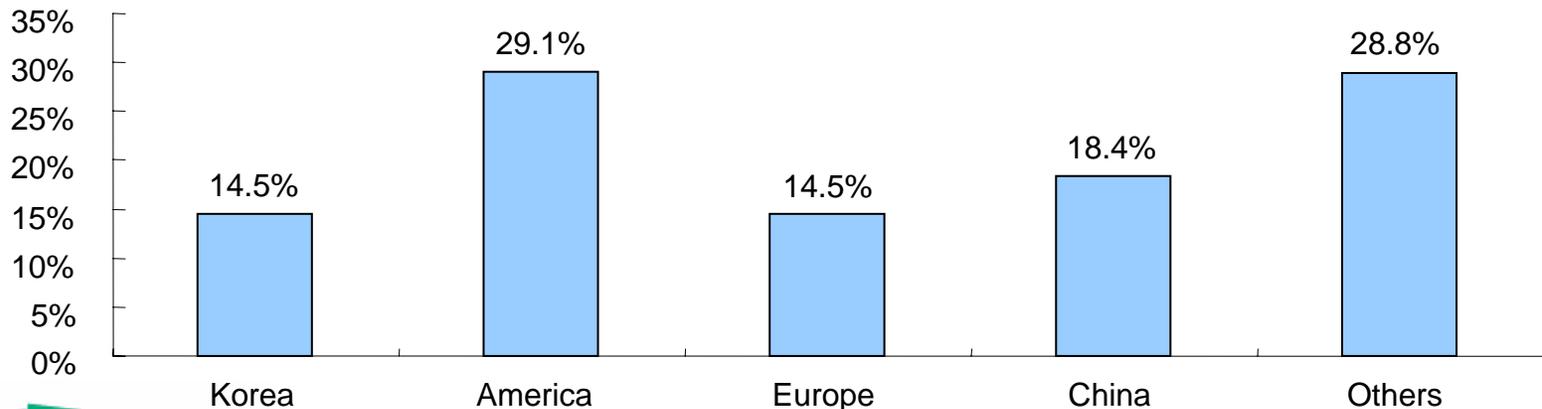
- Thanks to recovery of domestic sales and regional export growth, sales grew 19% YoY.
- Greater sales contribution from profitable high-end/larger machine tools, price hike and cost reduction efforts boosted cumulative OP margin to a historic high of 14.1%.
- 4Q Outlook
 - Backed by growing exports to China and India and with participation in exhibitions such as IMTS in US, we expect to reach our annual target for the division.
 - Continued domestic sales and export growths thanks to prospering client industries of high-end products (such as refining industry) should lead to firm OP growth

Result & Outlook – Machine Tools & F.A.

Change in Export Breakdown



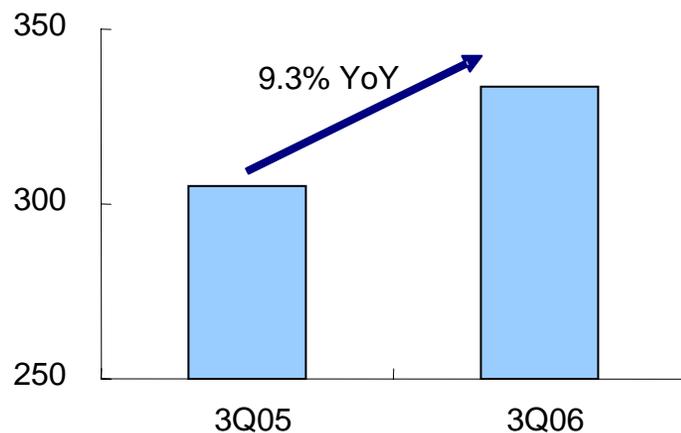
Cumulative Sales Growth By Region



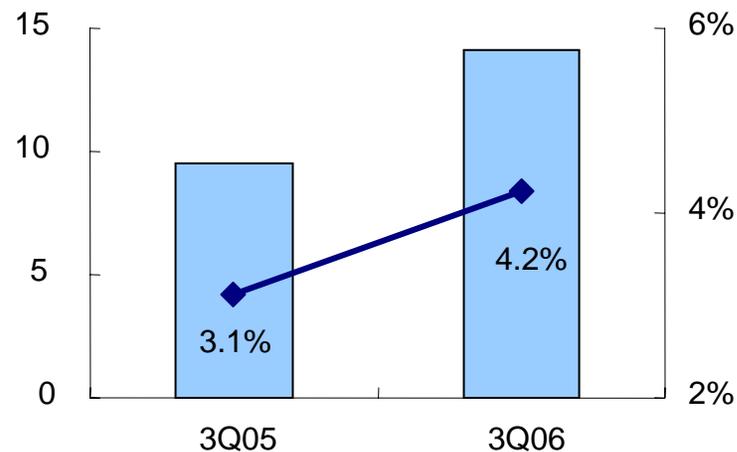
Result & Outlook – Industrial Vehicle

Unit : KRW billion

Cumulative Sales Growth 3Q05 → 3Q06



Cumulative OP Growth 3Q05 → 3Q06

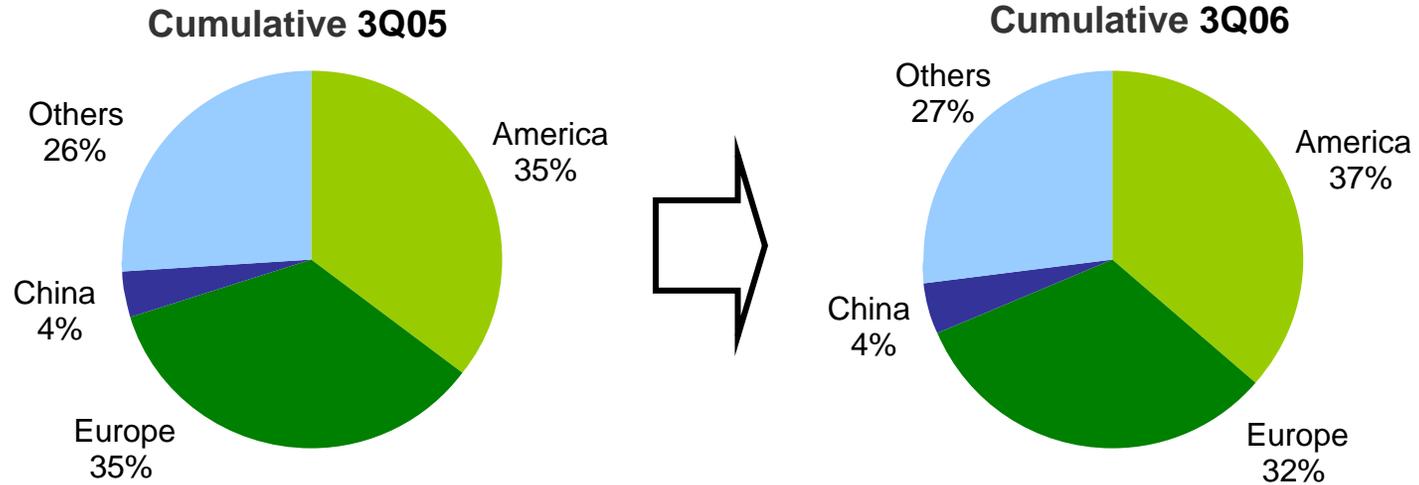


Cumulative 3Q06 Result & 4Q06 Outlook

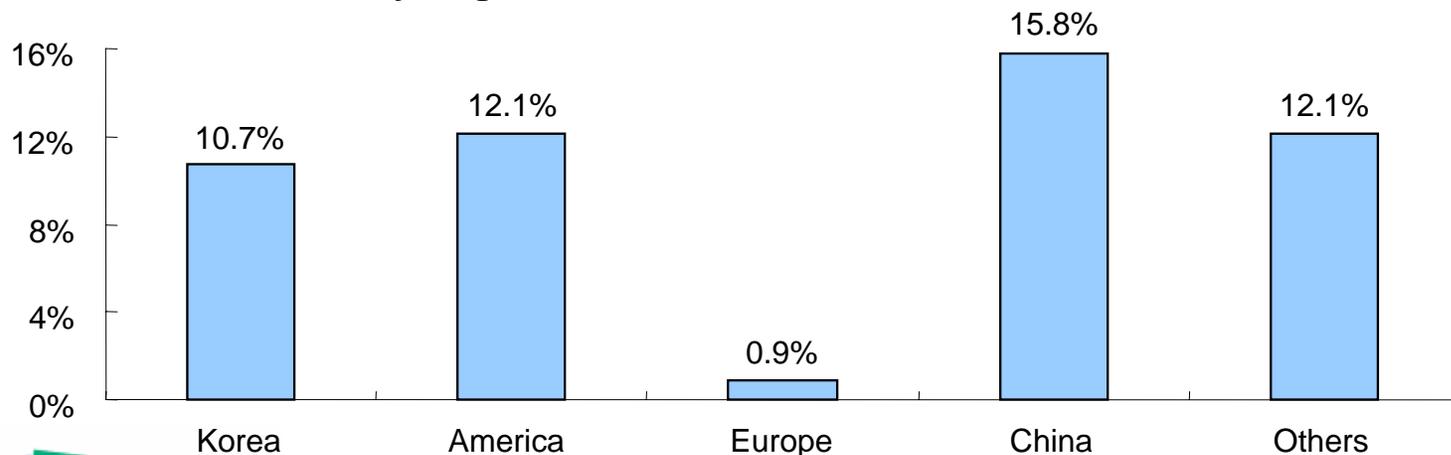
- Cumulative sales in 3Q06 increased 9% YoY due to favorable domestic sales, which reached historic top line figures, and export growth in Americas and China.
- Cumulative OP margin improved 1.1%p to 4.2% on the back of cost reduction efforts.
- 4Q Outlook
 - Further sales growth based on G model in China and launch of new electric powered forklift trucks.
 - Additional margin enhancement should be possible following the increased sales contribution from cost reduction models and better product mix.

Result & Outlook – Industrial Vehicle

Change in Export Breakdown



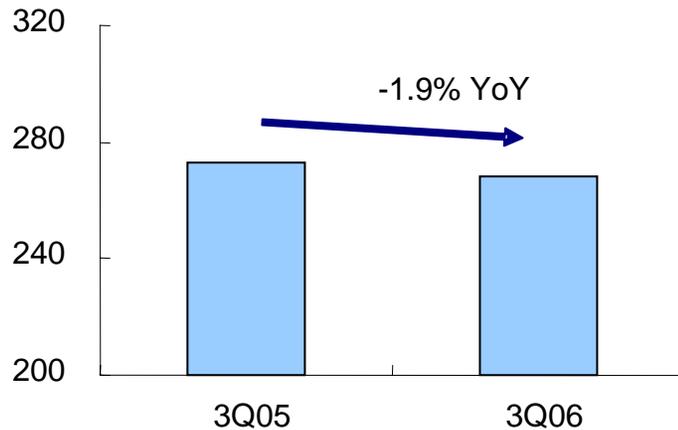
Cumulative Sales Growth By Region



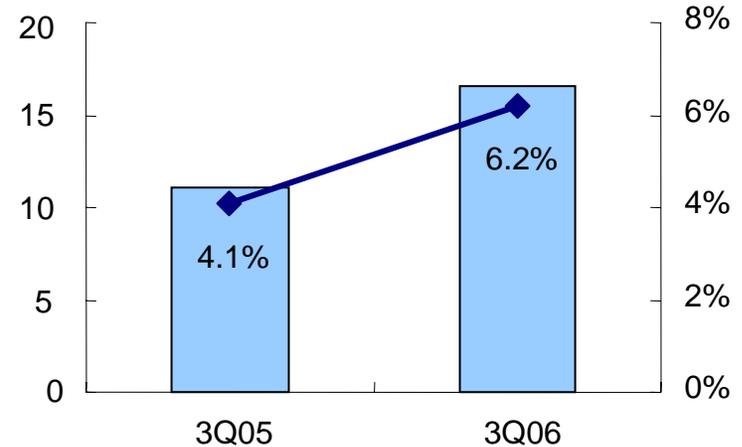
Result & Outlook – Engines & Materials

Unit : KRW billion

Cumulative Sales Growth 3Q05 → 3Q06



Cumulative OP Growth 3Q05 → 3Q06

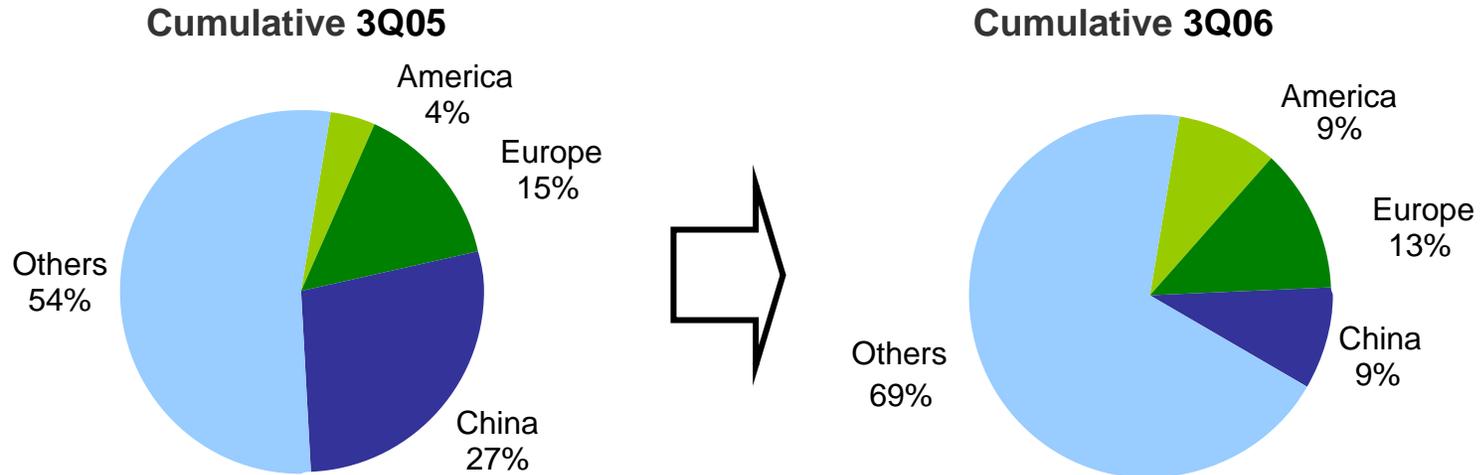


Cumulative 3Q06 Result & 4Q06 Outlook

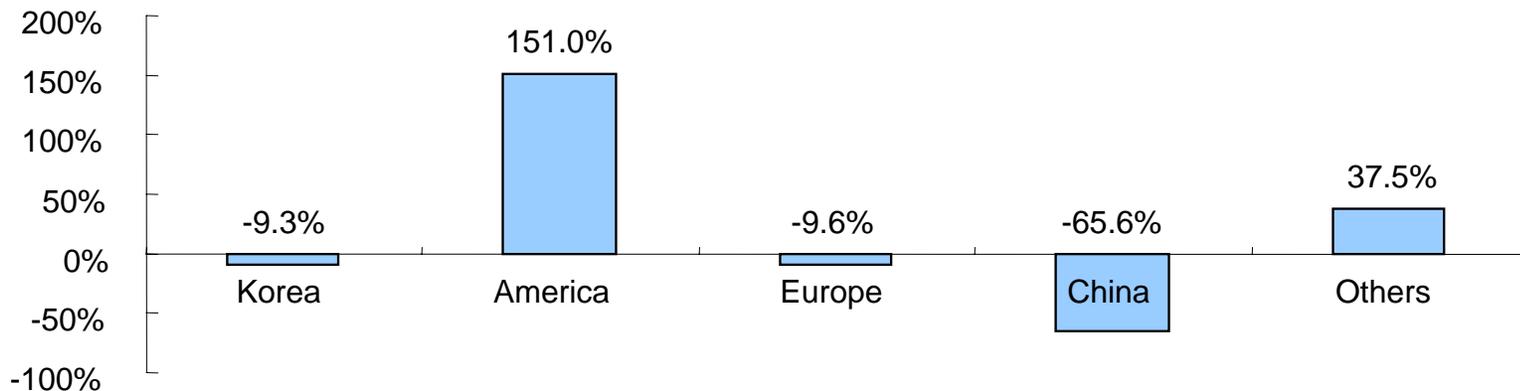
- Cumulative sales fell 2% YoY, but if we look at 3Q alone, top line turned around to 9% YoY increase.
- Thanks to cost reduction efforts and better product mix, cumulative OP margin grew 2.1%p to 6.2%.
- 4Q Outlook
 - Full-fledged sales growth anticipated given growing sales volume to Tata Commercial Vehicle, favorable CNG engine sales in the domestic market and export growth to North America.
 - OP margin should also continue to improve on the back of full-fledged cost reduction and better sales contribution from profitable ship engine and materials sales.

Result & Outlook – Engines & Materials

Change in Export Breakdown



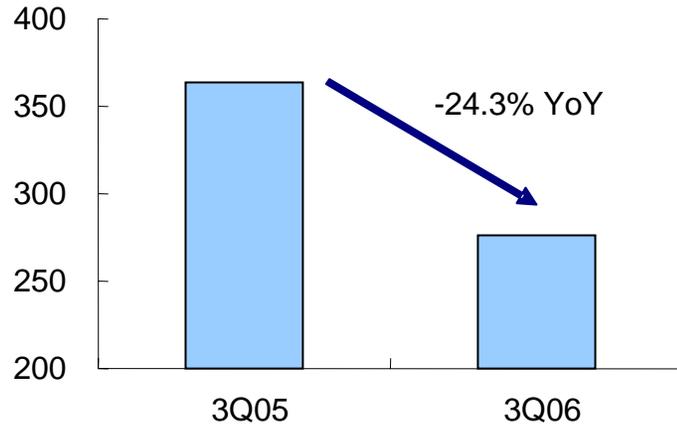
Cumulative Sales Growth By Region



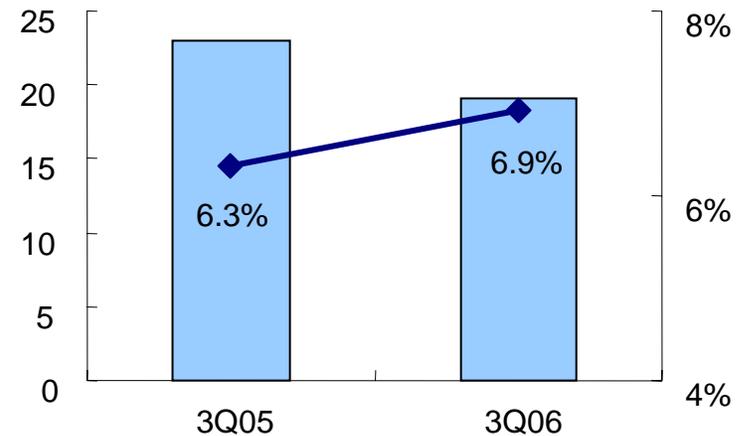
Result & Outlook – Others

Unit : KRW billion

Cumulative Sales Growth 3Q05 → 3Q06



Cumulative OP Growth 3Q05 → 3Q06



Cumulative 3Q06 Result & 4Q06 Outlook

- Despite continued A/S parts sales growth, cumulative sales in 3Q06 fell 24% YoY as defense sales will be concentrated in 4Q.
- Cumulative OP margin further rose during the time, since sales contribution increased from the higher margined A/S parts sales division.
- 4Q Outlook
 - Surge in defense product sales and sustained demand growth for A/S parts sales in all divisions.
 - Greater A/S parts sales and better operating leverage from increased defense product sales should boost profitability.

Appendix 1 : Breakdown By Division (Quarterly)

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	652.8	701.9	720.8	195.8	217.2	245.6	138.3	146.7	184.0	106.7	99.9	109.4	82.9	81.8	88.2	129.1	156.3	93.6
YoY	6%	8%	3%	-22%	11%	13%	35%	6%	25.4%	25%	-6%	10%	30%	-1%	8%	15%	21%	-40%
Domestic Sales	309.3	308.4	249.7	86.1	49.3	51.7	38.2	38.3	40.7	41.4	38.6	41.8	35.5	42.5	40.3	108.1	139.7	75.2
YoY	-5%	0%	-19%	-26%	-43%	4.9%	50%	0%	6%	-1%	-7%	8%	-15%	20%	-5%	9%	29%	-46%
Exports	343.5	393.5	471.1	109.7	167.9	193.9	100.1	108.4	143.3	65.3	61.3	67.6	47.4	39.3	47.9	21.0	16.6	18.4
YoY	18%	15%	20%	-19%	53%	15%	30%	8%	32%	49%	-6%	10%	116%	-17%	22%	60%	-21%	11%
Operating Profit	39.5	25.0	48.5	8.5	-0.3	11.8	12.4	14.4	27.3	2.3	2.4	3.2	2.4	1.2	5.2	13.9	7.3	1.0
OP Margin (%)	6.1%	3.6%	6.7%	4.3%	-0.1%	4.8%	9.0%	9.8%	14.8%	2.2%	2.4%	2.9%	2.9%	1.5%	5.9%	10.8%	4.7%	1.1%

Appendix 2 : Breakdown of Exports by Region (Quarterly)

Unit : KRW billion

	2005	2006	2005				2006			
			America	Europe	China	Others	America	Europe	China	Others
Total	393.5	471.1	76.9	134.2	67.3	115.1	112.9	164.2	70.6	123.4
(YoY)		19.7%					46.8%	22.4%	4.9%	7.2%
Construction Equipment	167.9	193.9	14.4	59.7	36.0	57.8	35.8	74.0	35.6	48.5
(YoY)		15.5%					148.6%	24.0%	-1.1%	-16.1%
Machine Tools & F.A	108.4	143.3	38.7	42.1	18.5	9.1	46.6	56.2	25.0	15.5
(YoY)		32.2%					20.4%	33.5%	35.1%	70.3%
Industrial Vehicle	61.3	67.6	18.0	22.6	2.8	17.9	20.5	22.1	3.1	21.9
(y-y)		10.3%					13.9%	-2.2%	10.7%	22.3%
Engines & Materials	39.3	47.9	1.3	6.2	7.8	24.0	5.6	6.4	4.6	31.3
(y-y)		21.9%					330.8%	3.2%	-41.0%	30.4%
Others	16.6	18.4	4.5	3.6	2.2	6.3	4.4	5.5	2.3	6.2
(y-y)		10.8%					-2.2%	52.8%	4.5%	-1.6%

Appendix 3 : Breakdown By Division (Cumulative)

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	2,136.4	2,110.7	2,274.1	769.7	719.9	861.8	379.3	448.4	535.1	307.0	305.2	333.5	317.6	273.0	267.9	362.8	364.2	275.8
YoY	28%	-1%	8%	15%	-6%	20%	45%	18%	19%	19%	-1%	9%	78%	-14%	-2%	20%	0%	-24%
Domestic Sales	1,063.7	890.3	808.8	325.1	179.6	172.4	128.9	135.0	154.6	133.2	115.7	128.1	176.1	142.8	129.5	300.4	317.2	224.2
YoY	17%	-16%	-9%	5%	-45%	-4%	61%	5%	15%	3%	-13%	11%	39%	-19%	-9%	15%	6%	-29%
Exports	1,072.7	1,220.4	1,465.3	444.6	540.3	689.4	250.4	313.4	380.5	173.8	189.5	205.4	141.5	130.2	138.4	62.4	47.0	51.6
YoY	40%	14%	20%	23%	22%	28%	38%	25%	21%	35%	9%	8%	171%	-8%	6%	49%	-25%	10%
Operating Profit	198.2	134.2	194.1	87.6	46.1	68.9	36.4	44.5	75.4	14.2	9.5	14.1	20.4	11.1	16.6	39.6	23.0	19.1
OP Margin (%)	9.3%	6.4%	8.5%	11.4%	6.4%	8.0%	9.6%	9.9%	14.1%	4.6%	3.1%	4.2%	6.4%	4.1%	6.2%	10.9%	6.3%	6.9%

Appendix 4 : Breakdown of Exports by Region (Cumulative)

Unit : KRW billion

	2005	2006	2005				2006			
			America	Europe	China	Others	America	Europe	China	Others
Total	1,220.4	1,465.3	258.0	405.7	219.3	337.4	366.0	452.5	288.1	358.7
(YoY)		20.1%					41.9%	11.5%	31.4%	6.3%
Construction Equipment	540.3	689.4	77.3	178.5	121.1	163.4	139.3	205.8	202.1	142.2
(YoY)		27.6%					80.2%	15.3%	66.9%	-13.0%
Machine Tools & F.A	313.4	380.5	99.7	129.4	47.9	36.4	128.7	148.2	56.7	46.9
(YoY)		21.4%					29.1%	14.5%	18.4%	28.8%
Industrial Vehicle	189.5	205.4	66.7	65.8	7.6	49.4	74.8	66.4	8.8	55.4
(y-y)		8.4%					12.1%	0.9%	15.8%	12.1%
Engines & Materials	130.2	138.4	4.9	19.7	35.8	69.8	12.3	17.8	12.3	96.0
(y-y)		6.3%					151.0%	-9.6%	-65.6%	37.5%
Others	47.0	51.6	9.4	1.23	6.9	18.4	10.9	14.3	8.2	18.2
(y-y)		9.8%					16.0%	16.3%	18.8%	-1.1%