



**Doosan Infracore**

# 2007 1H Investor Meeting [ Financial Results ]

August, 2007

# Contents

**1** 2007 1H Financial Results

**2** 2007 Business Plan

# 2007 1H Key Results (Consolidated)

KRW billion

- Thanks to healthy export growth to Europe and China at the construction equipment and machine tool divisions, consolidated sales and operating profit grew 24% and 17% YoY, respectively.
- Consolidated recurring profit surged 79% YoY, higher than the operating profit growth.

	Parent		Affiliates			Consolidated	
	Results	YoY	Results	YoY		Results	YoY
Sales	1,892.4	22%	1,149.8	31%		2,227.5	24%
Operating Profit	165.0	13%	58.4	41%		214.5	17%
Recurring Profit	205.5	76%	54.6	45%		223.4	79%
Net Profit	146.5	73%	44.7	57%		154.4	83%



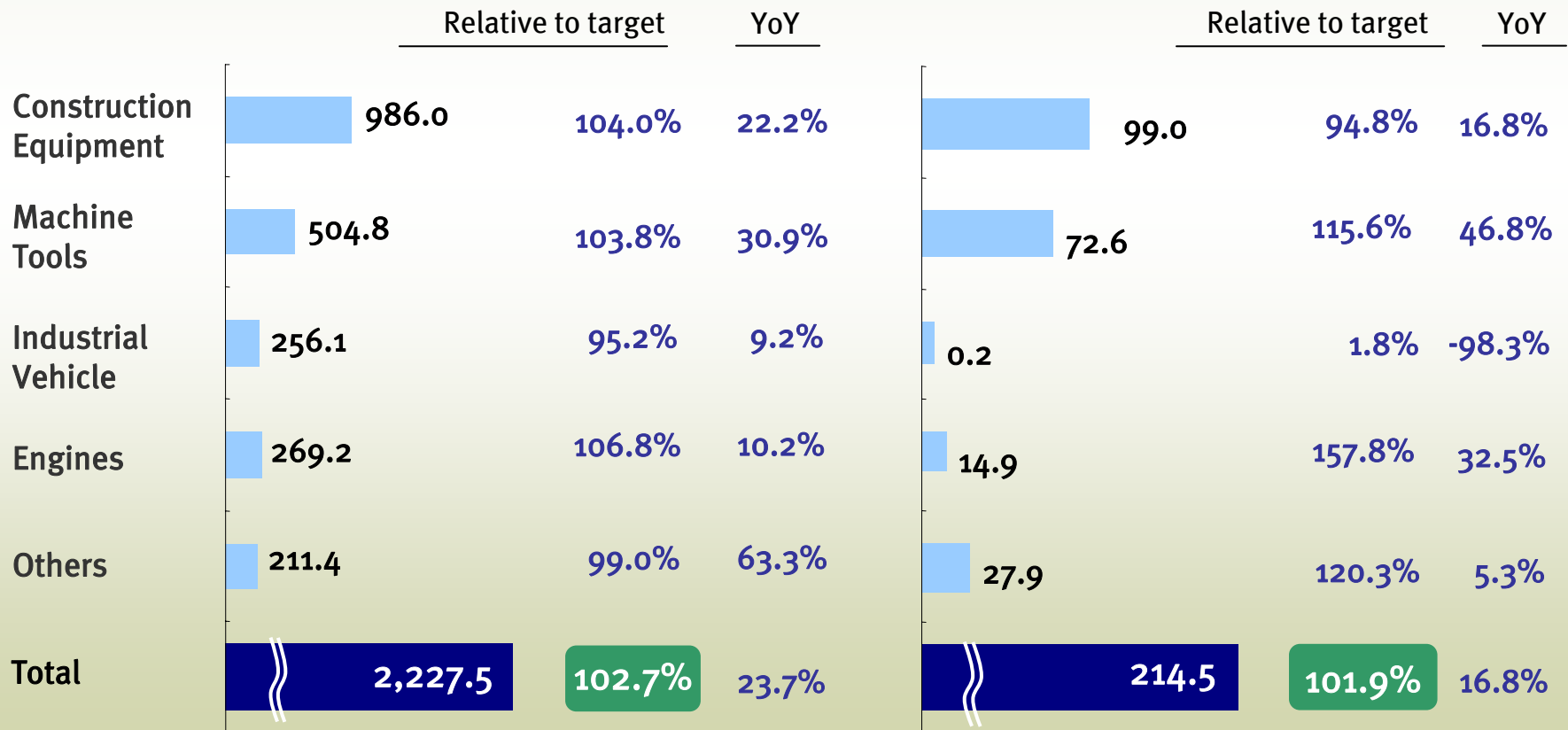
# Results By Division (Consolidated)

KRW billion

● Sales and operating profit already above our management target

## Divisional Sales

## Divisional Operating Profit



# Divisional Business Target & Progress (Consolidated)

KRW billion

● Full year sales and operating profit targets attainable given the progress in 1H

## Divisional Sales

## Divisional Operating Profit

		<u>% of target</u>	<u>YoY</u>		<u>% of target</u>	<u>YoY</u>
Construction Equipment	1,915.7	51.5%	35.0%	155.5	63.7%	43.6%
Machine Tools	1,006.8	50.1%	24.7%	125.1	58.0%	21.7%
Industrial Vehicle	537.1	47.7%	12.9%	24.0	0.8%	42.0%
Engines	512.5	52.5%	5.6%	20.1	74.1%	11.7%
Others	486.0	43.5%	-6.3%	60.8	45.9%	6.5%
<b>Total</b>	<b>4,458.1</b>	<b>50.0%</b>	<b>20.3%</b>	<b>385.5</b>	<b>55.6%</b>	<b>27.2%</b>

The Doosan logo consists of the word "DOOSAN" in white, bold, sans-serif capital letters. The letters are set against a background of three overlapping rectangular shapes: a purple one on the left, a blue one in the middle, and a green one on the right.

**DOOSAN**

**Doosan Infracore**

**2007 1H Investor Meeting  
[ Vision & Strategy with Bobcat Acquisition ]**

August, 2007

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- 1 Vision & Strategy of Doosan Infracore**
- 2 Bobcat – Overview & Impact of Acquisition**
- 3 Post-Merger Management Direction**

**“Vision 10-10– Already an attainable target”**

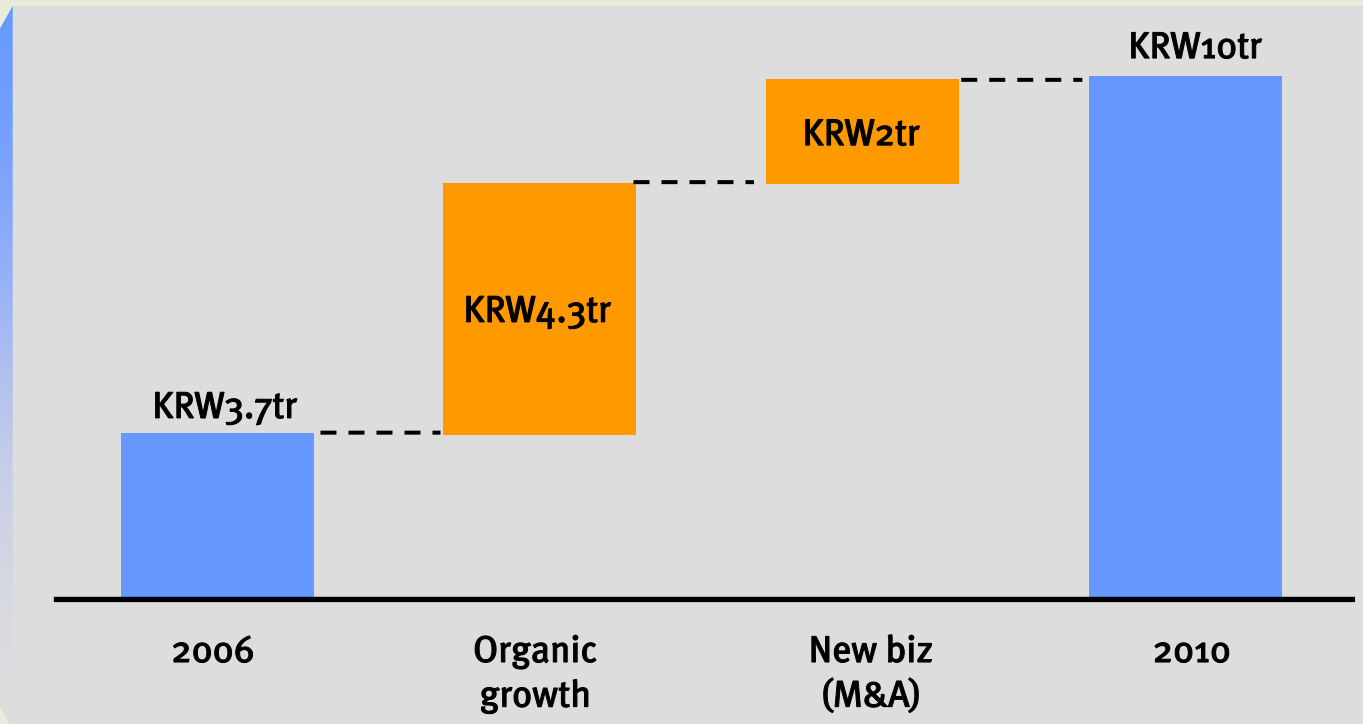


# Vision of Doosan Infracore

Global top 5 in ISB industry

Vision 10-10 : Sales of KRW 10 trillion and EBIT margin of 10%

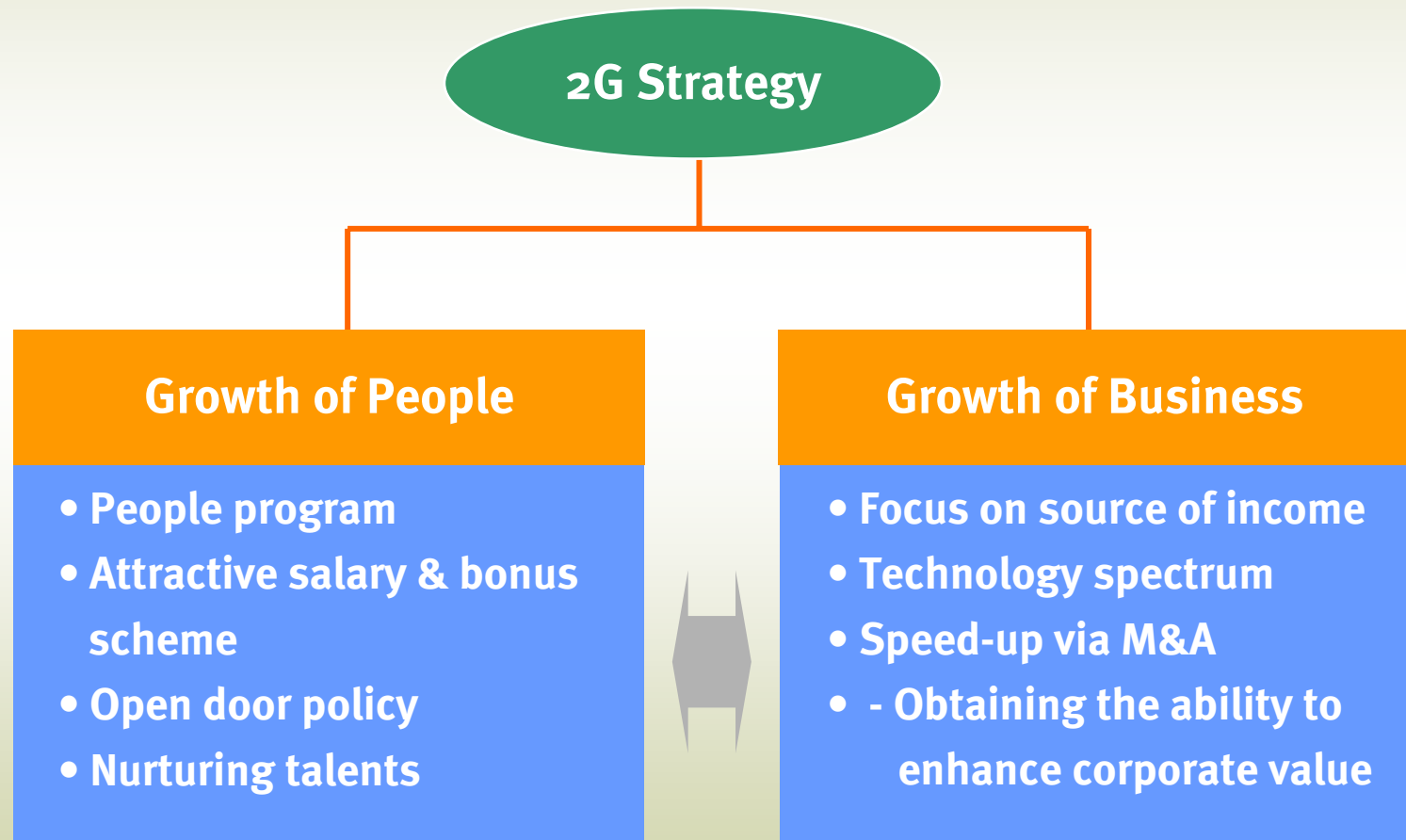
Global strategies  
in place to reach  
our vision 10-10



- Organic growth target attainable
- Already above the KRW 2tr target from new business with the acquisition of Bobcat
  - Projected sales in 2010 : More than KRW 3tr

**“Unique globalization strategy model of Doosan”**

## 1 2G strategy : Virtuous cycle stemming from growth of people and business



## 2 Strategy according to source of income



### Technology Leadership

- Acquisition of Bobcat (Jul. 2007)
- Acquisition of CTI (Mar. 2007)
- Strengthened global R&D capability

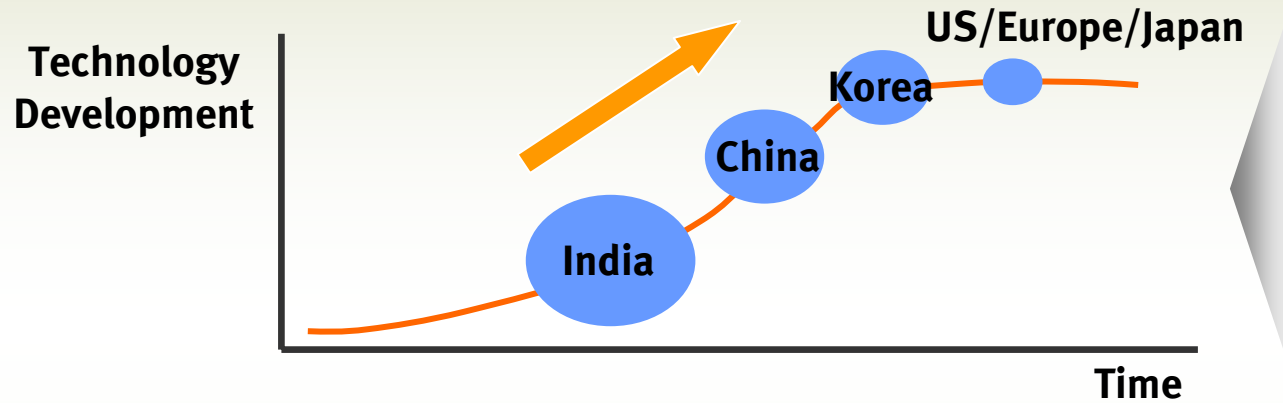
### Market Dominance

- China as our home market
- Acquisition of Bobcat (US, Europe)
- Early market entry into India and Brazil (Jun. 2007)

### Cost Leadership

- Acquisition of Yantai Yuhua in China (Mar. 2007)
- Expanded global production base (Mar. 2007)
- Global Sourcing

## 3 Expansion/Maintenance strategy of business spectrum



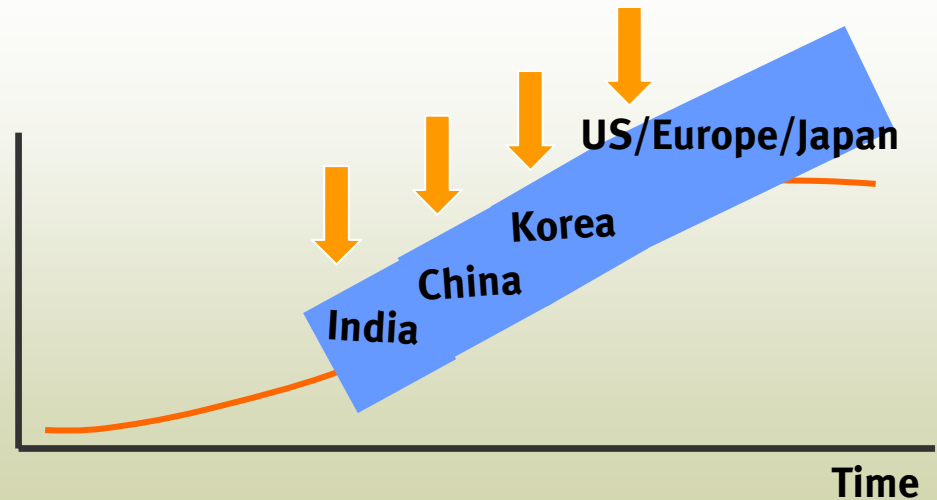
### Migration

- Loss of new opportunities due to new technology

### Spectrum Expansion

- Securing/Maintaining opportunities

Technology Development



## 4 Speed-up Strategy : Securing technology, products and markets at fair value via M&A and speed-up growth potential

### Objective

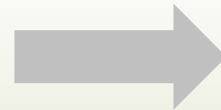
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Technology / Skill



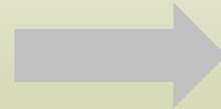
- Bobcat
- Doosan Capital (financing)
- CTI

Product



- Bobcat
- Yantai Yuhua (wheel loader)

Market / Network

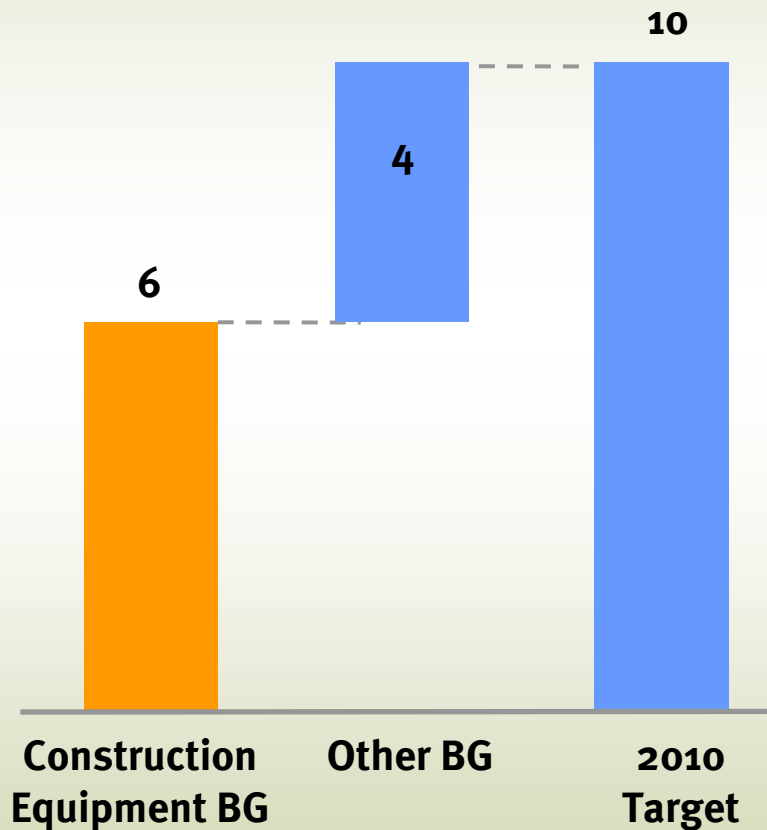


- Bobcat

**“Success of construction equipment division is vital  
for Doosan Infracore’s globalization strategy”**

# Importance of construction equipment BG in global strategy

KRW trillion



- Construction equipment BG is key to Doosan Infracore's growth
  - Market size of KRW100tr
  - High growth potential
- Construction equipment BG needs to generate additional KRW4 tr to reach 2010 target



# Strategic challenges facing the construction equipment BG

## 1 Product :

Product portfolio focused on mid/large excavators

Low percentage of recurring sales

## 2 Market :

Earnings structure concentrated on Korea and China

## 3 Technology :

Lack of advanced R&D capability & core parts technology

## 4 Intangible asset :

Low brand equity

Lack of global talents in advanced markets

- Reviewed M&A potentials for top 100 construction equipment makers worldwide
- Bobcat stood out as optimal M&A opportunity

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- 2 **Bobcat – Overview & Impact of Acquisition**
- 3 Post-Merger Management Direction

# Significance of BOBCAT Acquisition

**“Now global top 7 player after the acquisition of Bobcat  
Soon to become a global top 5 player”**

# BOBCAT – Business Overview

- **Based in North Dakota (US) with 50 years of operating history**
- **Global business : 73 subsidiaries in 27 countries with 5,800 employees**
  - **Regional sales mix : 62% from North America, 27% from Europe, 11% from other regions**
  - **2,700 dealers, 16 production plants, 9 R&D centers**
- **Acquisition of 3 business units : '07(E) sales of US\$2.8 billion**
  - **Compact construction equipment business : 74%**
  - **Utility equipment business : 19%**
  - **Attachment business : 7%**

# BOBCAT – Business overview

US\$ billion

	Sales	Key Product	Position	M/S
<b>Bobcat</b>	2.1		<ul style="list-style-type: none"> <li>• Global # 1 in SSL/CTL *</li> <li>– # 1 in North America</li> <li>– # 1 in Europe</li> <li>• Global # 3 in mini excavator</li> </ul>	<ul style="list-style-type: none"> <li>• 39%</li> <li>• 38%</li> <li>• 43%</li> <li>• 8%</li> </ul>
<b>Attachments</b>	0.2		<ul style="list-style-type: none"> <li>• Attachments</li> <li>- Global # 1</li> </ul>	<ul style="list-style-type: none"> <li>• 8%</li> </ul>
<b>Utility Equipment</b>	0.5		<ul style="list-style-type: none"> <li>• Portable air compressor</li> <li>- Global # 1</li> </ul>	<ul style="list-style-type: none"> <li>• 28%</li> </ul>

'07E sales of US\$2.8bn

\* SSL : Skid Steer Loader, CTL : Compact Track Loader

# Dealer network : 2,700 dealers worldwide



1,450 dealers in North America



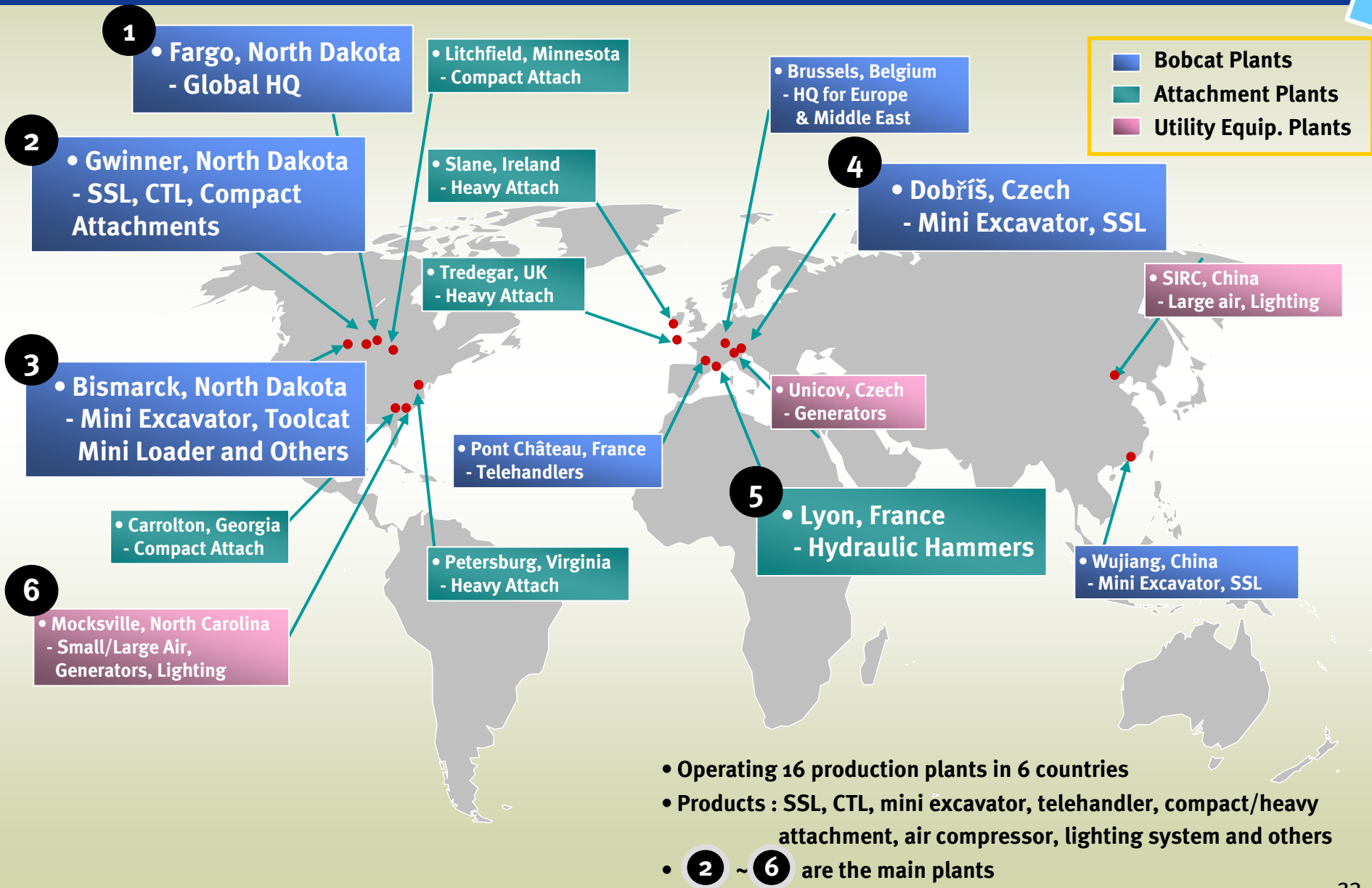
67 dealers in China



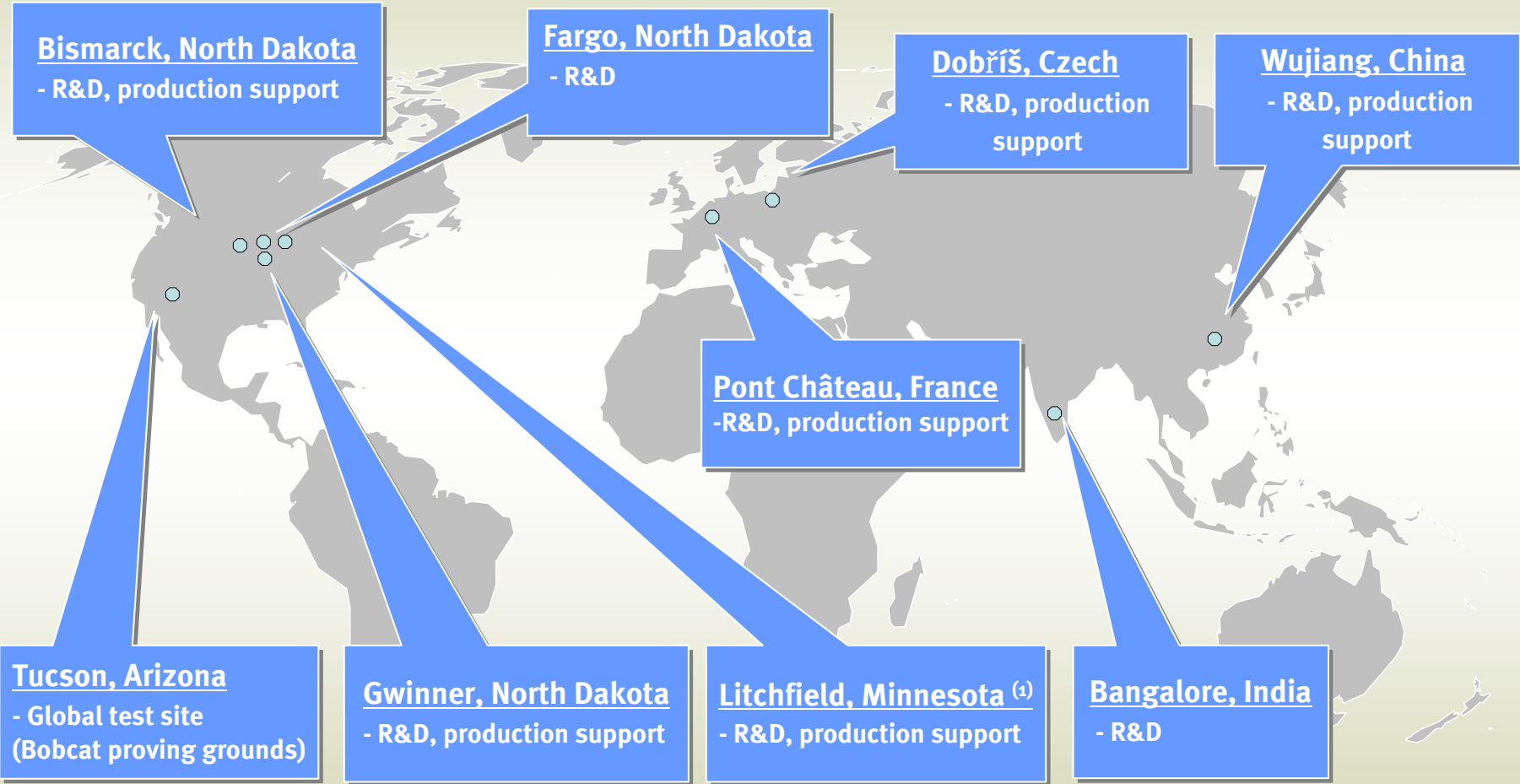
322 dealers in Europe

861 dealers in other regions

# Global production : 16 production plants in 6 countries



# Global R&D network : 9 R&D center worldwide

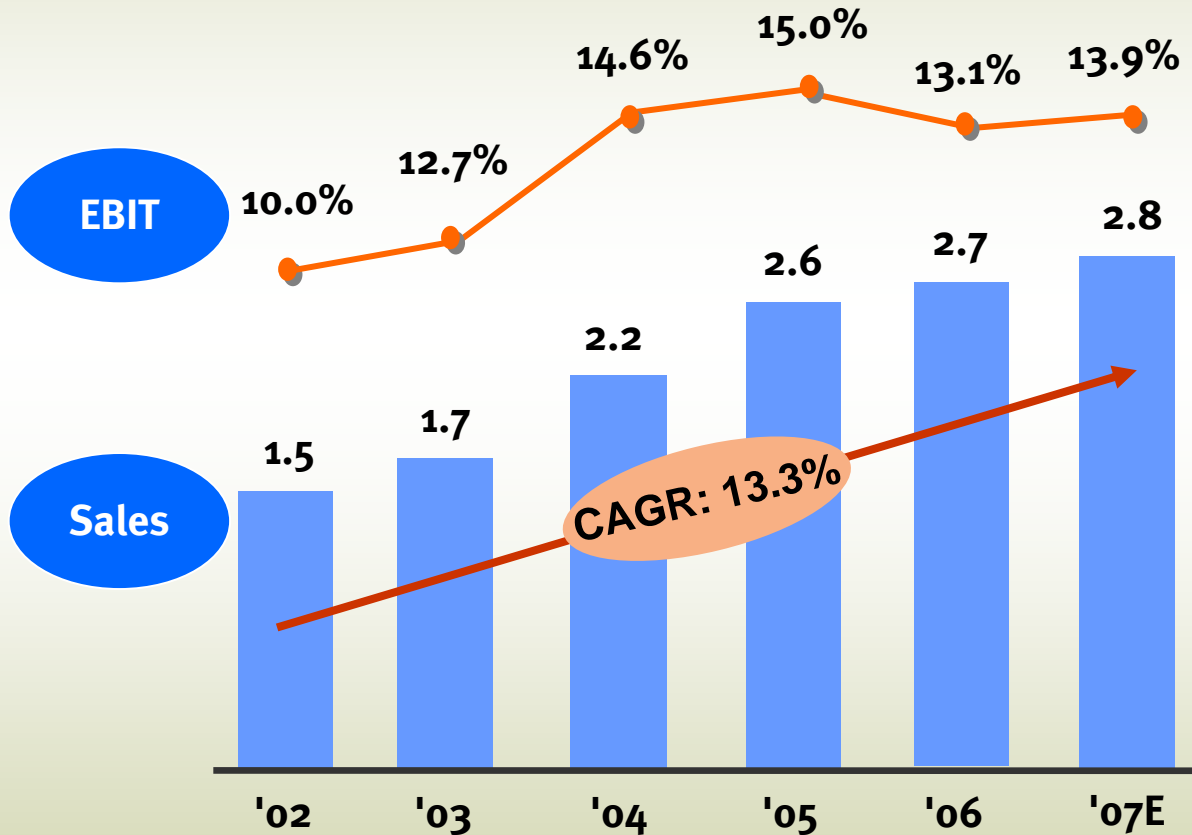


(1) Attachments facility



# BOBCAT – Financial highlights

US\$ billion



- Industry top level of profitable growth achieved by Bobcat

- Stable while profitable earnings structure based on high recurring revenue

- % of recurring revenue : ~30%

- Average margin of recurring revenue : ~20%

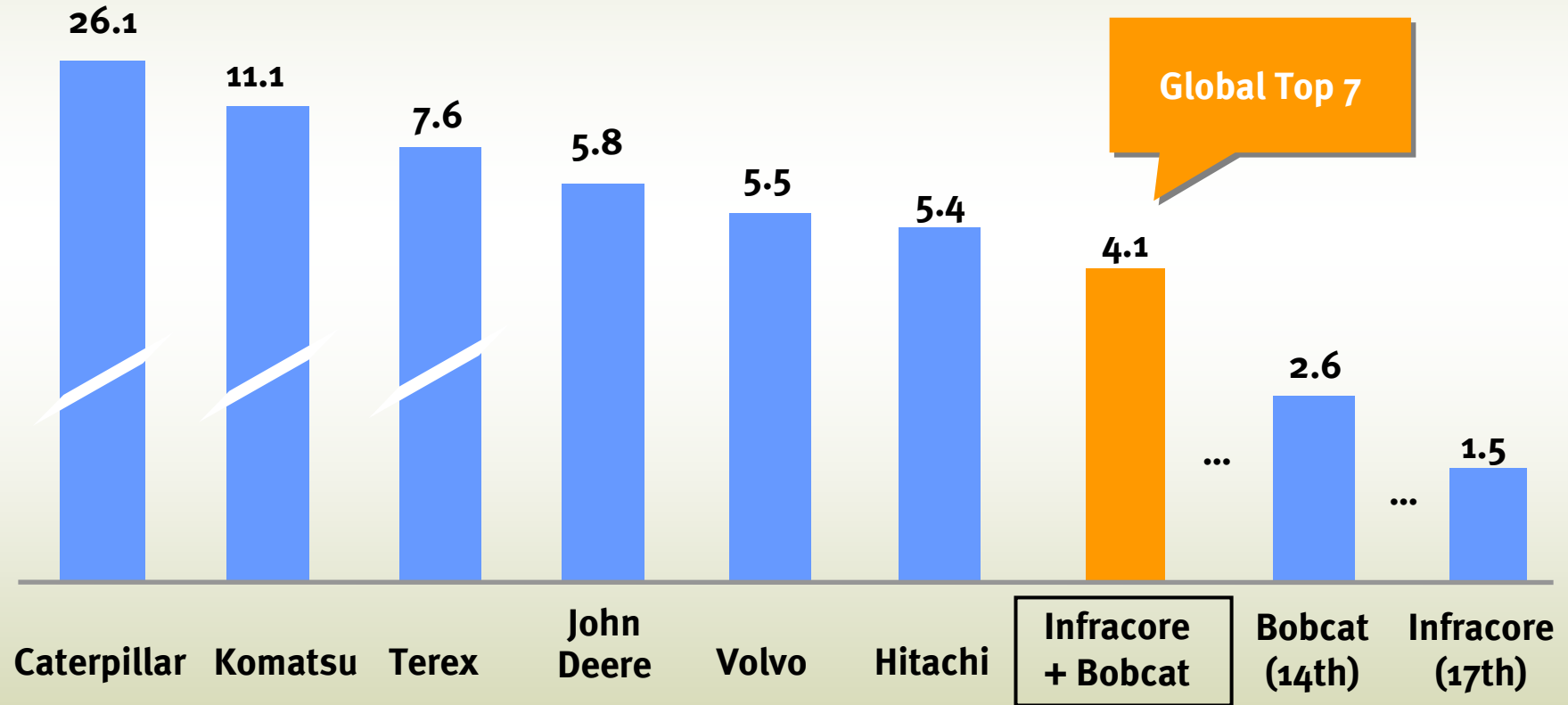
## Global competitiveness to become a global top 5 player

- 1 Product**
  - Full product line-up
  - Lessened earnings fluctuation by securing recurring revenue
- 2 Market**
  - Global sales/production network
  - Regional sales synergy
- 3 Technology**
  - R&D capability & core parts technology
- 4 Intangible asset**
  - Brand, talents, advanced management capability

# Platform to become a global top 5 player

## Ranking of construction equipment makers

US\$ billion



# 1 Product : Full product line-up

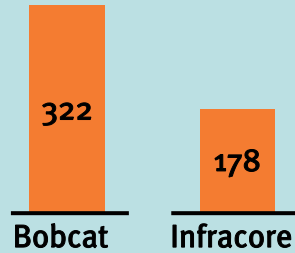
US\$ million, based on 2006 sales

		Bobcat	Infracore	Infracore + Bobcat	Caterpillar
Compact	SSL / CTL	1,102	19	✓	✓
	Mini excavator	323	188	✓	✓
	Handler *	172		✓	✓
Mid/Large	Excavator		967	✓	✓
	Wheel excavator		176	✓	✓
	Wheel loader		150	✓	✓
Recurring Revenue	Parts	200	115	✓	✓
	Attachment	397		✓	✓
Utility		476		✓	

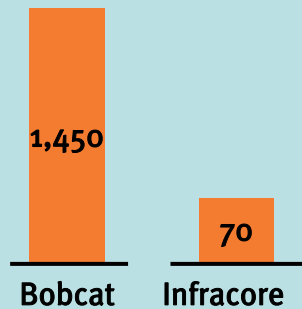
\*Telescopic Handler, Versa Handler and others

## 2 Market : Global sales network

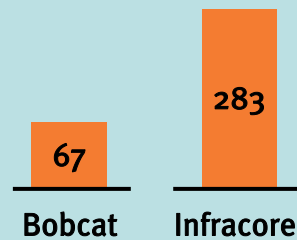
### Europe



### North America



### China



### Bobcat + Infracore

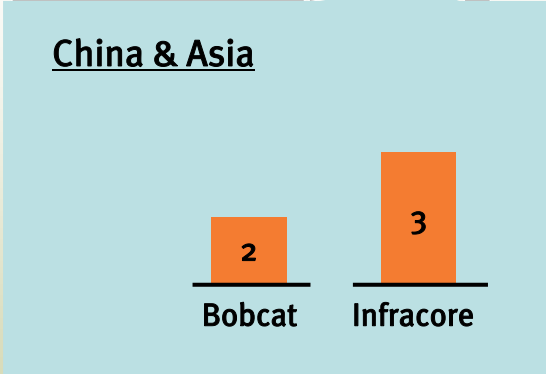
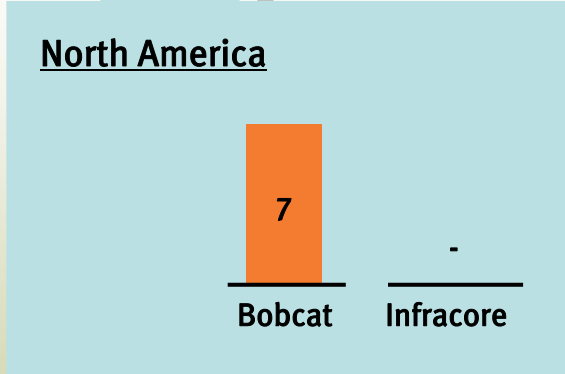
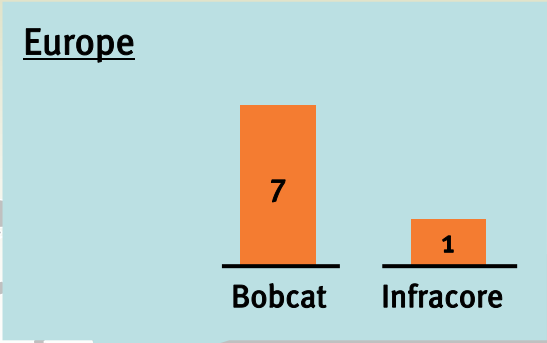
- Dealers : 3,415
- Outstanding sales network in 3 major markets

- Dealers in other regions : 861 dealers of Bobcat, 184 dealers of Infracore

## Expected synergy : Product & sales network

- Cross-selling of complementary products
- Significant improvement in channel competitiveness
  - Better sales network coverage
  - Create virtual cycle via stronger dealer capability
  - Possible to enter large rental markets
- Expanded A/S capability & network

## 2 Market : Global production base



**Bobcat + Infracore**

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- Production Sites : 20
- Establish local production in key markets

## Expected synergy : Production base

- On-time delivery and low cost structure via local production
- Expansion of global sourcing (China & Eastern Europe)
- Optimization of capacity investment through co-location



## **3 Globally competitive R&A capability**

- **R&D personnel & patents**
  - **770 R&D personnel (11% of employees)**
  - **12 R&D centers**
  - **1,908 patents**
- **Technology level**
  - **Best engineering capability for compact construction equipment**
  - **Standard for attachments with 400 products**
- **New product development capability**
  - **Development of 17 new products and 15 attachments in progress**
  - **Technology leader based on next generation product development roadmap**
- **Core parts technology**
  - **Hydraulics, electro-hydraulic control technology**

## Expected synergy : Technology

- Technological upgrade in Infracore products
  - Joint development of mini excavators and mid/large zero tail swing excavators
- Enhanced R&D capability via interaction among R&D staff
- Attain economies of scale by sharing core parts

## 4 Global business capability



### Top-notch Brand Equity

- **Brand recognition worldwide**
- **# 1 customer brand name in North America (Benz / BMW of SSL)**

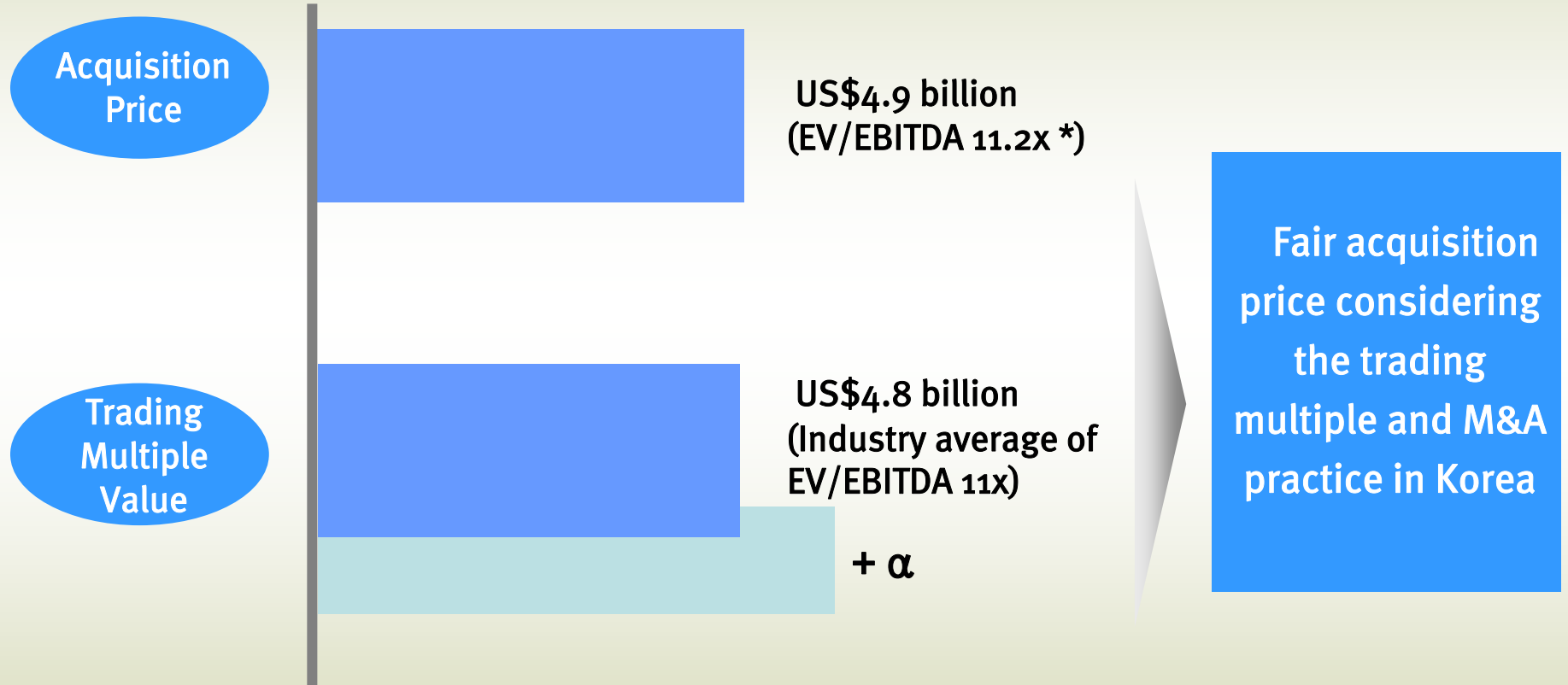
### Global Talents

- **Excellent management with global capability**
- **Expert group with more than 20 years of experience**
- **Global talents**

### Management Capability

- **Global operation capability**
- **Advanced management system**

# Fair acquisition price



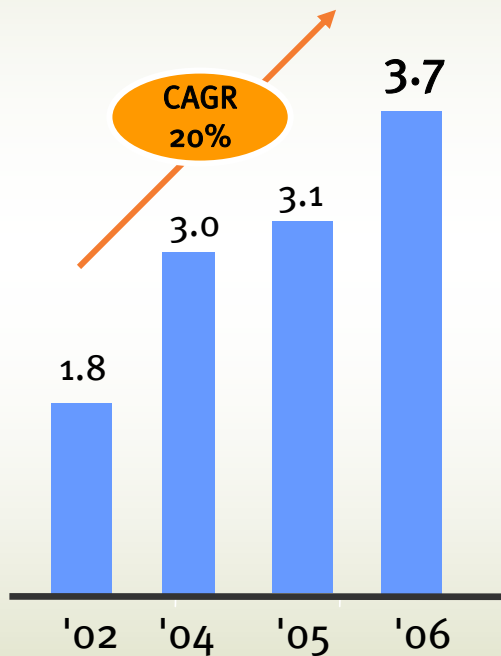
\* Based on 2007 figures

# Doosan Infracore's precedence of enhanced enterprise value after acquisition

Based on consolidated financials

## Sales

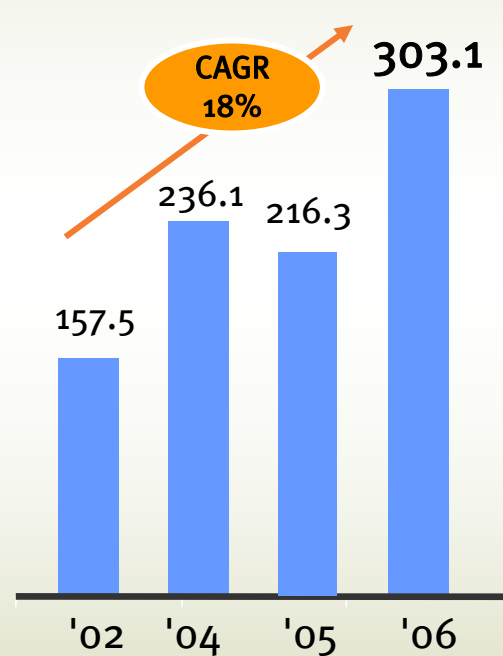
KRW trillion



Acquired in '05

## EBIT

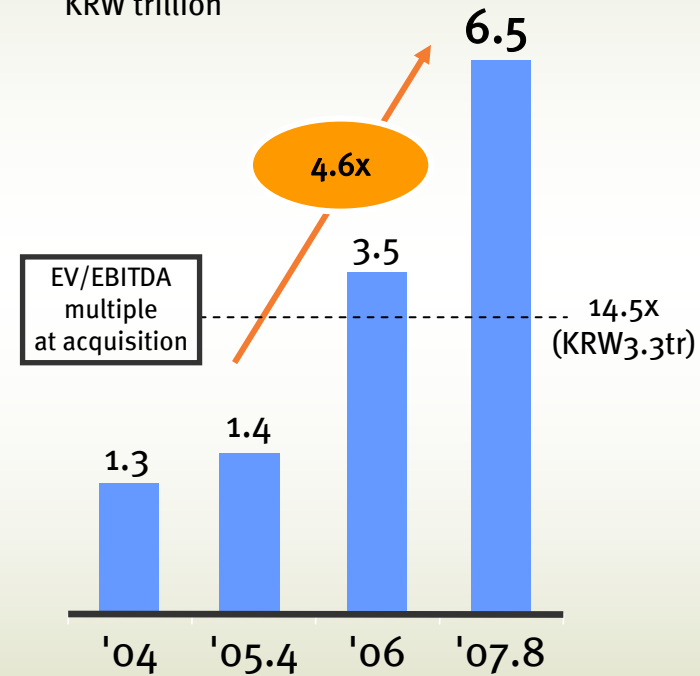
KRW billion



EV/EBITDA multiple

## Market Cap.

KRW trillion



6.2x 10.7x 16.4x

- Equity investment : US\$1.9 billion
  - Doosan Infracore : US\$0.7 billion
  - Doosan Engine : US\$0.6 billion
  - Financial Investor : US\$0.6 billion
- Acquisition financing : US\$3.0 billion
  - Syndication of Korean and overseas financial institutions
  - Funding via LBO method

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# Direction of post-merger management

- 1 Autonomous yet responsible management by current personnel**
  - Maintain current HR system for management retention
  - Clear delegation of authority and responsibility
- 2 Integration and management to create mutual synergy**
- 3 Maintain separate entities between Doosan Infracore and Bobcat**
- 4 Integrated systems to maximize management capability**
  - Capability to enhance Doosan's enterprise value
  - Advanced management system of Bobcat
- 5 Establish global center of excellence**



A tall, modern skyscraper with a grid of windows, set against a blue background. The word "DOOSAN" is visible on the top of the building. The image has a blue tint and a soft glow around the top of the building.

DOOSAN

**Thank You**