

BUMWOO ENG (083650)

Going Global with Global Leaders

Not Rated

Paul Park
+82-2-768-4142
paulpark@bestez.com

Bloomberg: 083650 KQ

Reuters: 083650.KQ

Target Price (6M): NA

Share Price (20/09/06): W5,600

Par Value: W500

52-W Hi/Low: W4,615/11,950

Mkt Cap: US\$76.5mn/W73.2bn

Shares Issued: 13.1mn shr

Avg Volume (60D): 96,159 shr

Avg Value (60D): US\$0.5mn/W0.5bn

Foreign Ownership: 3.2%

Dividend Yield: 1.1%

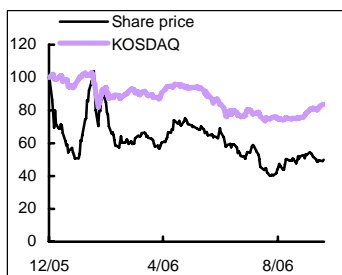
Major Shareholder(s):

J.I. Woo (35.6%)

E.M. Park (20.9%)

Price Performance (%)

	1M	6M	12M
Absolute	-3.8	-22.6	NA
Relative	-14.9	-16.1	NA



Well-positioned in an oligopolistic market with visible future opportunities

BUMWOO ENG competes against a short list of competitors, such as Doosan Heavy and Hyundai Heavy, for a full set of plant equipments except for turbines. Unlike its competitors that focus on turbines, the company centers on a niche market (non-turbine), and is expected to see gradual growth in the mid-term and higher growth in the longer-term capturing opportunities in: 1) Fossil and nuclear power generation in Korea, 2) POSCO's FINEX plants in India, and 3) Partnering with Siemens for China's future power generation market.

High barriers to entry (→ pg 3)

In 2000, large heavy industrial companies such as Samsung Heavy and Halla Heavy were forced to exit the plant machinery market because the Korean government conferred an exclusive license to Doosan Heavy for the manufacturing turbines. BUMWOO ENG capitalized on the exit of these two industrial leaders by recruiting their most competent engineers and taking the lead in this niche market. During the past 5 years, BUMWOO ENG has developed solid relationships with KEPCO, POSCO, Siemens, etc. Currently, the industry faces high barriers to entry, impart to 1) customers' preference for turnkey-based orders, 2) high costs of switching suppliers, and 3) shortage of skilled engineers.

4 promising "Large-scale" projects over the long-term (→ pg 4)

We believe that BUMWOO ENG will capitalize on the significant opportunities in Korea, India, and China: 1) Korean government's 'North Korea Business' (2M kW supply to North Korea), 2) Construction of nuclear power plants within Korea, 3) POSCO's FINEX plant construction in India, and 4) Siemens' power generation projects in China.

Slim organization with fast decision-making (→ pg 7)

BUMWOO ENG's competitive advantage is its speed and excellent customer service. By providing a comprehensive list of products and services, from inbound logistics to warranty service, the company has been able to please its customers through 1) speedy delivery of quality products, 2) rapid conformance to customer requests, and 3) convenience.

Forecasts/Valuations

FY	Sales (Wbn)	OP (Wbn)	NP (Wbn)	EPS (W)	yoy (%)	FCF (Wbn)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)
12/04	36.9	3.4	3.0	331	26.1	1.4	32.0	16.9	4.9	16.4
12/05	70.8	10.3	8.3	877	165.3	0.5	24.7	6.4	0.9	5.2
12/06F	76.6	11.4	9.7	1,082	23.4	0.0	15.7	5.2	0.8	4.7
12/07F	92.5	14.7	13.1	1,003	-7.3	4.0	17.9	5.6	0.9	3.5
12/08F	118.0	19.5	17.7	1,349	34.5	6.2	19.9	4.1	0.8	2.3

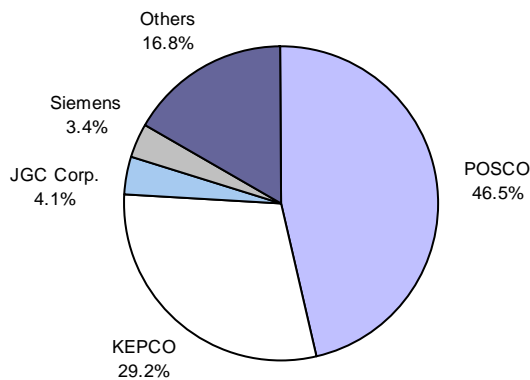
Source: Company data, Daewoo Securities

COMPANY OVERVIEW

Initial success at POSCO

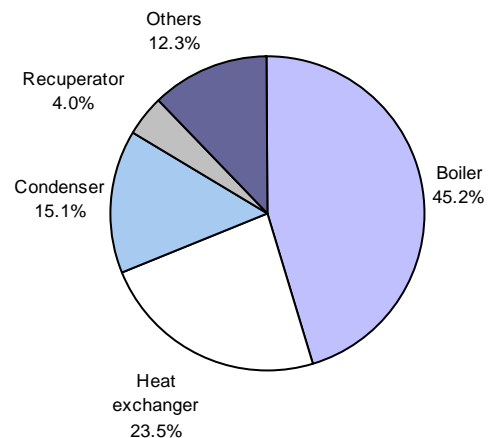
BUMWOO ENG began its business in 1998 as one of the hundreds of suppliers to POSCO. Initially, the company's sole product line was: Recuperators, which collects and delivers the heat wastes back to a furnace in the steelworks, therefore enhancing energy efficiency and reducing the emission of greenhouse gases. With the initial success at POSCO, the company was able to expand its customer base and product portfolio both domestically and internationally. (Figure 1 & 2)

Figure 1. Customer breakdown (FY05)



Source: Company data

Figure 2. Product breakdown (FY05)



Source: Company data

Relatively small, but quite attractive market

BUMWOO ENG makes a full set of plant machinery (excluding main turbines) related to the operation of power/steel/petrochemical plants. (Table 1) While a typical main turbine system is priced in the range of KRW 200Bn ~ 500Bn, the price for the full set of the BUMWOO ENG's supplementary products is only about a tenth of that amount. Therefore, the non-turbine plant machinery market appears too small for industrial conglomerates, allowing BUMWOO ENG to become a dominate niche player. Although the current size of the domestic market is approximately KRW 250Bn, it will grow with the increased need for nuclear and thermal power. The company's market share is approximately 15%~20%, however, we believe BUMWOO ENG will increase its dominance in the Korean B.O.P. market from 19% in 2006 to nearly 30% in 2008.

Table 1. Product Description

Product	Description
Recuperator	Recovers heats from a furnace and delivers them back to the furnace
Boiler	Recovers heats from hot steams and delivers steams to turbines
Heat exchanger	Transfers heats between the fluids for either cooling or heating
Condenser	Condenses hot steams to liquid
De-aerator	Removes dissolved gases (dissolved oxygen, CO2, Nitrogen, etc)
HRSG	A boiler type (Heat Recovery Steam Generator)

Source: Company data

Indispensable partner to POSCO, KEPCO, Siemens, Toshiba, Mitsubishi Heavy, etc

The company's primary customers are utilities, steel, petrochemical, construction, and heavy industrial companies. By delivering quality products on time and excellent service in the past 5 years, they have built strong relationships with global giants, such as POSCO, KEPCO, Siemens, Toshiba, Mitsubishi Heavy, Nippon Steel Corp., etc.

OLIGOPOLY MARKET

***Korean government's
intervention to push away
the incumbents***

Plant machinery market was previously an oligopolistic market dominated by the four major players: Doosan Heavy, Hyundai Heavy, Samsung Heavy, and Halla Heavy. As the industry matured and experienced an oversupply, the Korean government intervened in 2000, and conferred an exclusive license to Doosan Heavy for the manufacturing of turbines til 2009. As a result, Samsung Heavy and Halla Heavy were forced to exit the industry, as it did not make economic sense for these large companies to merely manufacture the supplementary devices of turbines.

First mover advantage

While these external changes were taking place, Mr. Woo, the current president of BUMWOO ENG, seized this opportunity and recruited more than 30 skilled engineers from those four exiting companies. By taking the lead, the company took over the existing projects from Samsung Heavy and Halla Heavy, and built strong relationships with major customers such as POSCO and KEPCO.

***High barrier to entry
→ Oligopolistic market***

BUMWOO ENG, Doosan Heavy, and Hyundai Heavy are the only three companies in Korea that are capable of supplying a full set of non-turbine plant machinery. We strongly believe that an oligopolistic market structure will remain for the foreseeable future, since this industry has high barriers to entry. First, the operators of industrial plants prefer turnkey-based orders due to the efficiency of maintaining and procuring from a single source. Second, since only a small malfunction of a device in a power plant could result in a disastrous accident and even casualties, plant operators are highly reluctant to carry out projects with new players. Third, there is a shortage in experienced engineers.

***More outsourcing by
Doosan Heavy & Hyundai
Heavy, to BUMWOO ENG***

BUMWOO ENG received the orders amounting to KRW 15.8Bn from Doosan Heavy in late 2005 and KRW 8.2Bn from Hyundai Heavy in early 2006. This is clear evidence that these two leading companies are reducing their in-house manufacturing of non-turbine machinery and outsourcing more to BUMWOO ENG. We believe that this trend will continue, as it is cheaper for these companies to outsource than to manufacture in-house and deal with strong labor unions.

GROWTH POTENTIAL

FOSSIL AND NUCLEAR POWER GENERATION IN KOREA

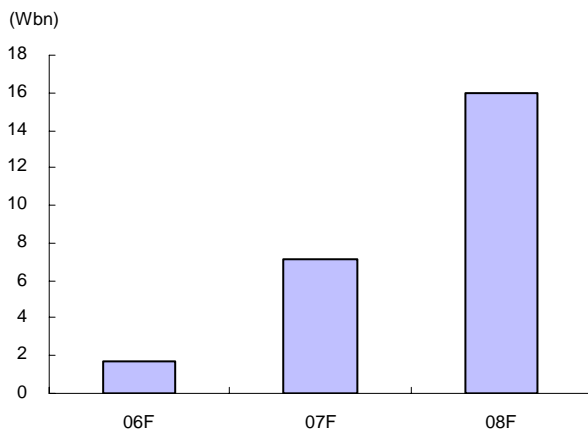
2M kW electricity supply to North Korea

KOMIPO (Korea Midland Power), KEPCO's 100%-owned subsidiary, recently expanded its capacity in thermal power plants located in Korea's mid-region, and is planning to continue investing KRW 682Bn in 2006, KRW 663Bn in 2007, KRW 713Bn in 2008 and beyond. (Refer to figure 4) We believe that this aggressive capacity expansion is related to the Korean government's ambitious 'North Korea Business' of supplying 2M kW electricity to North Korea in the future since most expansions are taking place in the plants located near Pyongyang.

Extremely high probability to take on the North Korean project

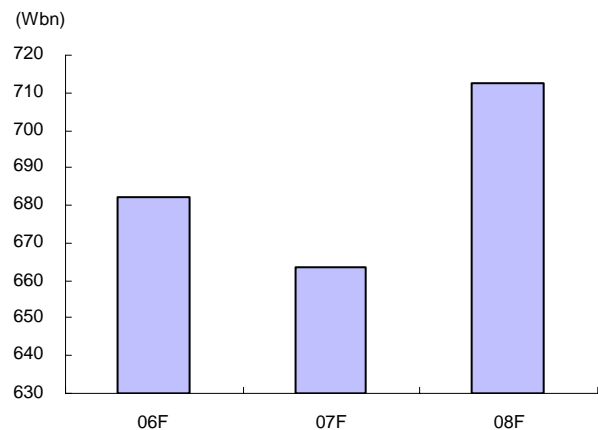
KOMIPO is very satisfied with BUMWOO ENG's products and is expected to place sizeable orders for BUMWOO ENG's HRSG (Heat Recovery Steam Generator). We are highly confident about this scenario, since KEPCO had directly requested BUMWOO ENG to create a technical and strategic alliance with Foster Wheeler (NASDAQ: FWLT) for HRSG. Moreover, KEPCO had recommended a 200% capital increase without consideration to BUMWOO ENG for more sizeable orders since maximum orders from KEPCO to its vendor was capped at 20 times the vendor's paid-in capital. Technical cooperation with Foster Wheeler will remain exclusive until 2015.

Figure 3. HRSG sales



Source: Daewoo Securities

Figure 4. KOMIPO's CAPEX plan



Source: Korea Midland Power

Benefited from Nuclear power generation

We project increased demand for more nuclear power generation in Korea. BUMWOO ENG is currently carrying out projects that amount to KRW 15Bn with KHNP (Korea Hydro & Nuclear Power) and is expected to gain much from the new projects ahead. (Refer to table 2) Since the company obtained the internationally-recognized certificates ('N', 'NA', 'NPT', 'N3') authorized by the American Society of Mechanical Engineering in late 2005, KHNP is now more open to ordering from the company. Even without these certificates, the company was able to capitalize KRW 15Bn. We strongly believe that the company, with the ASME certificates and accumulated experience, will now generate consistent revenues from the nuclear power plant projects until 2015. We project that the company, in addition to KRW 15Bn from current projects, will generate at least an additional KRW 120Bn from new nuclear power plant projects, scheduled between 2007~2015.

Table 2. KHNP's CAPEX plan for machinery used in new nuclear plants

(Wbn)	Investment			Bumwoo's stake	Project term
	~ 1H06	1H06 ~	Total		
"New" Kori #1, #2	520.5	1,275.9	1,796.4	6.6	10/2005 ~ 12/2011
"New" Wolsung #1, #2	431.9	1,351.0	1,782.9	8.3	07/2006 ~ 10/2012
"New" Kori #3, #4	0.3	2,193.4	2,193.6	43.9	09/2007 ~ 09/2014
"New" Ulchin #1, #2	0.0	2,696.2	2,696.2	80.9	04/2008 ~ 06/2015
Total	952.7	7,516.4	8,469.1	215.4	

Note: * Bumwoo's order intakes for "New" Kori #3, #4 and "New" Ulchin #1, #2 are projected figures.

Source: KHNP, Company data, Daewoo Securities

Figure 5. ASME 'N' Certificates



Source: Company data

POSCO'S FINEX PLANT IN INDIA

Key partner to construction of POSCO's FINEX plants

POSCO started building its first FINEX (the world's first technology capable of replacing costly blast furnaces—developed by POSCO) demo plant back in 2004 and is expected for completion in 1Q07 with annual capacity of 1.5 million ton of irons. BUMWOO ENG supplied its boiler products for the demo project and earned approximately KRW 20Bn. POSCO made an official announcement that they will build FINEX plants with annual capacity of 4 million ton of irons in its first India steelworks. As we confirmed with POSCO, they will make maximize their use of the facilities tested in the demo project to construct additional FINEX plants in India until 2020. We forecast that orders to BUMWOO ENG from the POSCO's FINEX projects in India could reach up to KRW 150Bn, consistently generating revenues of approximately 10 to 15Bn a year until 2020.

Figure 6. POSCO's first FINEX plant



Source: POSCO

SIEMENS' POWER GENERATION PROJECTS IN CHINA

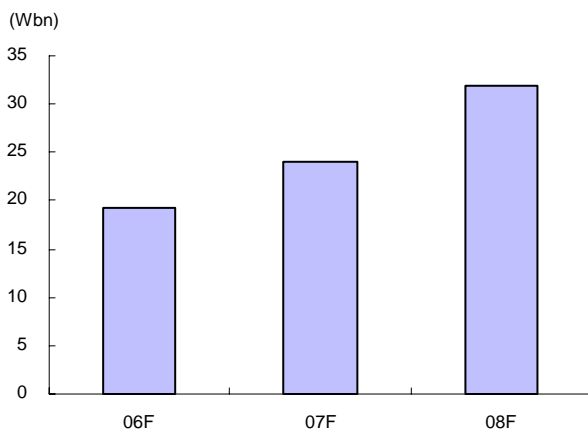
Siemens' Power Generation Business in China

Siemens has installed 22 power plants in China with over 400 industrial turbines and compressors. As shown in the figure 9, there is a huge demand for thermal power generation in China until 2010 and Siemens is well positioned to be the primary beneficiary, since Siemens already has a strong track record in the region and because the Chinese prefer European companies over Japanese and American companies due to political reasons. We believe BUMWOO ENG will become an indispensable partner for Siemens' power generation business in China since 1) the company has proven the reliability of its condenser products to Siemens for the past 5 years, and 2) Siemens has accordingly given bulk orders to BUMWOO ENG since 2005.

Condenser, main product for Siemens' China project

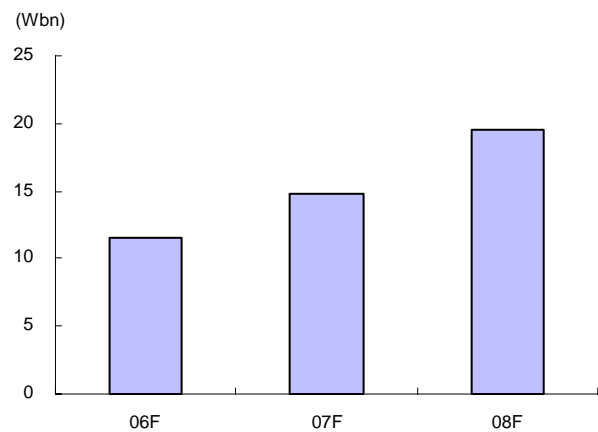
The main orders from Siemens' China business are condensers. Although the company sold a mere KRW 0.2Bn worth of condenser to Siemens in 2004, orders increased 10 times to over KRW 2.4Bn in 2005. We project total condenser sales to Siemens to climb up to KRW 4Bn this year. Along with sales from Toshiba, Mitsubishi Heavy and others, total condenser sales is projected to reach up to KRW 19Bn in 2006 and over KRW 31Bn in 2008.

Figure 7. Total condenser sales



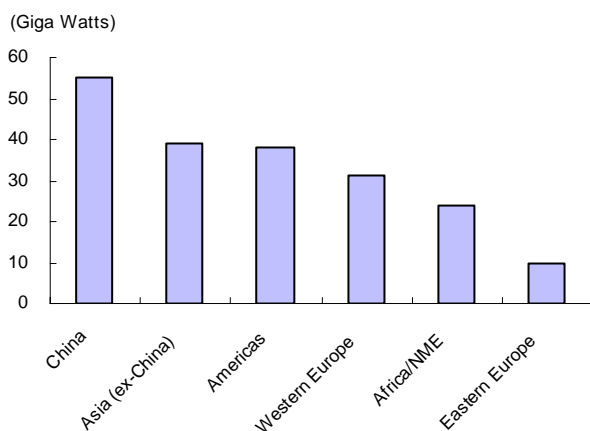
Source: Daewoo Securities

Figure 8. Total export sales



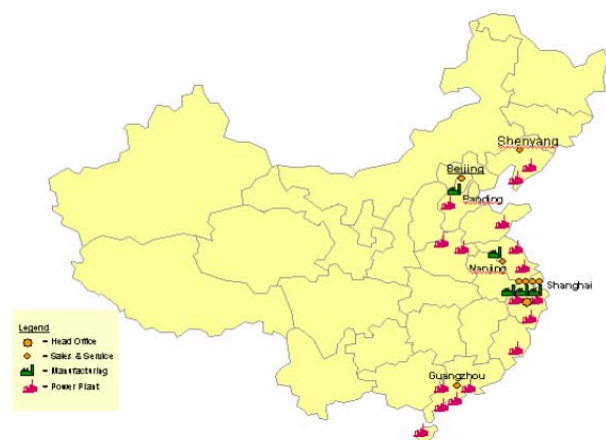
Source: Daewoo Securities

Figure 9. Thermal power demand ('05 ~ '10)



Source: Siemens

Figure 10. Siemens Pwr. Plants in China



Source: Siemens

COMPETITIVE ADVANTAGES

On-time delivery

BUMWOO ENG proudly states that they are the best in the industry in terms of speed and customer satisfaction. Since the company has a 'slim and fast' organizational structure with fast decision-making process, BUMWOO ENG normally delivers the customer-specific products one to two months ahead of their rivals. Moreover, since the company outsources its manufacturing, the company has no labor unions while its competitors have to go through days-long labor union strikes. This also accelerates the speed of product delivery.

Conformance to customer requests

Unlike its larger competitors, BUMWOO ENG is better prepared to take any requests from its clients. In addition to fast delivery of its products and 1-year warranty services, the company satisfies its clients and builds stronger relationships by providing a variety of cumbersome services, ranging from cleaning to component replacement.

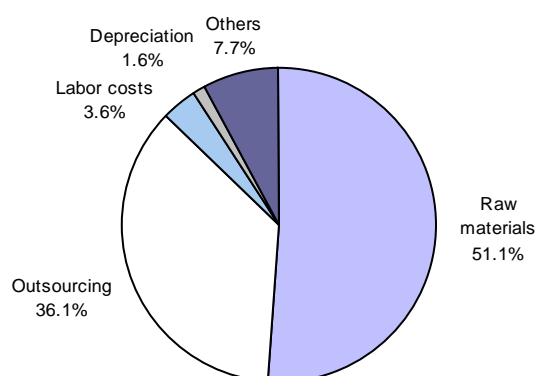
Convenience

The operators of industrial plants prefer turnkey-based orders because it is much more convenient and efficient for them to procure the products and receive maintenance from a single source. There are many small companies, both incumbent and new comers, manufacturing products similar to BUMWOO ENG's, however, their market share has diminished because of these turnkey-based order and convenience issues.

Best in the industry in terms of per square meter revenue

By focusing on engineering activities and outsourcing most of its manufacturing to the third parties, BUMWOO ENG is able to generate the most revenue per square meter of production facilities in the industry. The company's per square meter revenue in 2005 was approximately KRW 5Mn, which is far greater than those of its competitors. Also, the company has been able to reduce its burden of fixed labor costs by outsourcing. (Refer to figure 12)

Figure 11. KEY COGS ITEMS (% OF SALES)



Source: Company data, Daewoo Securities

Figure 12. 3 YR. COGS TREND

(% of sales)	FY03	FY04	FY05
COG	75.6%	81.3%	77.5%
Raw materials	36.1%	39.3%	39.6%
Outsourcing	22.9%	27.1%	28.0%
Labor costs	7.8%	3.7%	2.8%
Depreciation	4.0%	2.5%	1.2%
Others	4.7%	8.7%	5.9%

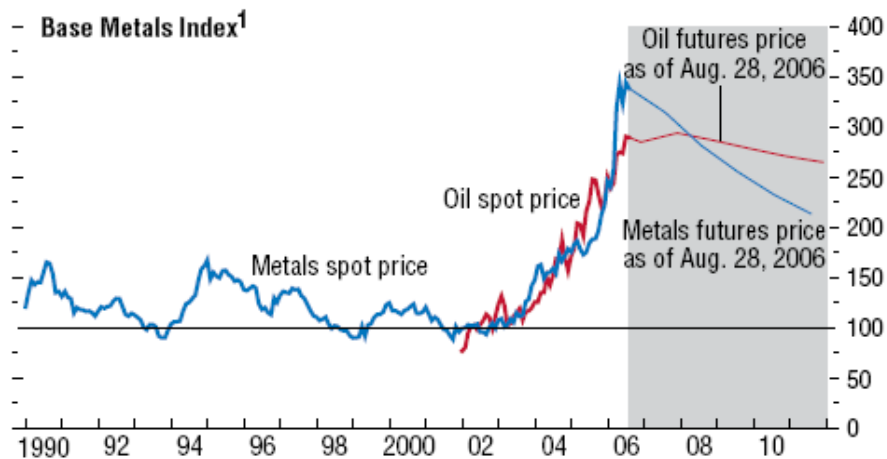
Source: Company data, Daewoo Securities

RISK FACTORS

Risk in price fluctuation of international commodity market

Key raw materials for BUMWOO ENG include nickel (Ni), titanium (Ti), hot rolled coil (HR), and cold rolled coil (CR). Despite the positive projections by the IMF (International Monetary Fund) on non-fuel commodity prices shown on the Figure 13, there is still a risk involved with the uncertain metal prices.

Figure 13. Outlook for Base Metal Prices (2002=100)



Note: Weighted average of aluminum, copper, lead, nickel, tin, and zinc prices

Source: IMF, Barclays Capital, Bloomberg Financial Markets, LP

APPENDIX. BUMWOO PRODUCTS & FACILITIES

POWER PLANT PRODUCTS

The company's Power Plant products are environmental-friendly and are oil-alternatives since they make the best recycling-use of residual heats/steams to generate power. Key customers for these products are KEPCO, Hyundai E&C, Doosan Heavy, Siemens, Mitsubishi Heavy, Toshiba, and Kawasaki.

Figure 14. Power Plant products

Boiler coil



Heat exchanger



De-aerator



Water heater



HRSG



Condenser



Source: Company Data

STEELWORKS PRODUCTS

**Recuperator, Boiler, Hood
& Skirts**

Recuperator, Boiler, and Hood&Skirts are the three main Steelworks products, and the company provides these products to POSCO, Dongkuk Steel, Nippon Steel, etc.

Figure 15. Steel Plant products

Recuperator



Boiler



Hood



Source: Company Data

PETROCHEMICAL PLANT PRODUCTS

Pressure vessel, Heat exchanger

Even though Petrochemical Plant business is relatively small, compared to Steel & Power Plant businesses, BUMWOO ENG has been able to maintain strong relationships with reputable companies such as SK Corp., LG Chem., Petrofac(PFC), and so on.

Figure 16. Petrochemical Plant products



Source: Company data

PETROCHEMICAL PLANT PRODUCTS

New production facility in construction for maximum capacity of KRW 100Bn

BUMWOO ENG currently owns and operates two production facilities, with land that was acquired by the company at very low¹⁾ costs, with an annual production capacity of KRW 100Bn. (Refer to Figure 17 and 18) Total area for the facilities is about 15,000m², and the company is building a third facility sized about 17,000m² with maximum annual capacity of KRW 100Bn. The new factory will mainly produce condensers and HRSG, the main growth engines of the future, and benefit from great tax breaks since it was built on a special district supported by the Korean government.

Figure 17. CHANG-WON Factory



Source: Company data, Daewoo Securities

Figure 18. HAM-AHN Factory



Source: Company data, Daewoo Securities

¹⁾ Current market value of the lands appreciated more than 40% from the acquisition price.

BUMWOO ENG (083650) - Financial Statement

BALANCE SHEET PROJECTION

(Wbn)	2005	2006F	2007F	2008F
Current assets	50.7	46.8	55.1	61.6
Cash and cash equivalents	5.7	11.0	11.7	10.8
Short-term financial goods	18.5	9.5	10.1	9.4
Accounts receivable	20.7	21.3	27.0	33.4
Inventories	0.2	0.2	0.3	0.5
Other current assets	5.7	4.8	6.0	7.5
Non-current assets	18.9	29.7	39.0	49.1
Investment assets	3.1	3.4	4.6	5.5
Tangible assets	15.8	26.2	34.3	43.7
Intangible assets	0.0	0.0	0.0	0.0
Total assets	69.6	76.4	94.1	110.7
Current liabilities	23.8	23.6	33.6	33.1
Accounts payable	11.9	13.1	16.5	21.8
Short-term borrowings	6.6	5.8	4.3	3.1
Current portion of long-term debt	0.6	0.7	5.7	0.7
Other current liabilities	4.7	4.0	7.1	7.5
Non-current liabilities	9.7	7.1	1.6	1.2
Bonds	0.0	0.0	0.0	0.0
Long-term debt	7.3	6.7	1.0	0.3
Other non-current liabilities	2.4	0.5	0.7	0.9
Total liabilities	33.5	30.7	35.2	34.2
Capital stock	2.2	6.5	6.5	6.5
Capital surplus	33.9	39.2	52.3	70.0
Capital adjustments	0.0	0.0	0.0	0.0
Total stockholders' equity	36.0	45.8	58.9	76.5

PRO FORMA INCOME STATEMENT

(Wbn)	2005	2006F	2007F	2008F
Sales	70.8	76.6	92.5	118.0
Cost of goods sold	54.9	59.6	71.9	91.0
Gross profit	15.9	17.0	20.6	27.1
SG&A expenses	5.6	5.6	6.0	7.5
Operating profit	10.3	11.4	14.7	19.5
Non-operating gains/losses	0.1	0.4	0.8	1.2
Interest income/expenses	-0.4	-0.2	0.1	0.3
FX-related gains/losses	0.4	0.3	0.5	0.8
Equity method gains/losses	0.0	0.0	0.0	0.0
Asset disposal gains/losses	0.1	0.0	0.0	0.0
Others	0.0	0.3	0.2	0.2
Recurring profit	10.4	11.8	15.4	20.8
Extraordinary gains/losses	0.0	0.0	0.0	0.0
Pre-tax profit	10.4	11.8	15.4	20.8
Tax	2.1	2.1	2.3	3.1
Net profit	8.3	9.7	13.1	17.7
Free cash flow	0.5	0.0	4.0	6.2
Residual income	8.3	9.7	13.1	17.7
EBITDA	11.4	13.0	16.6	22.2
Depreciation and amortization	1.1	1.6	1.9	2.7
Gross margin (%)	22.5	22.2	22.3	22.9
EBITDA margin (%)	16.2	16.9	17.9	18.8
Operating margin (%)	14.6	14.9	15.8	16.5
Recurring margin (%)	14.7	15.5	16.7	17.6
Net margin (%)	11.7	12.7	14.2	15.0

CASH FLOW PROJECTION

(Wbn)	2005	2006F	2007F	2008F
Cash flow from operating activities	8.7	12.5	15.9	19.5
Net profit	8.3	9.7	13.1	17.7
Non-cash income and expense	1.8	1.9	2.2	3.1
Tangible assets depreciation	1.1	1.6	1.9	2.7
Intangible assets amortization	0.0	0.0	0.0	0.0
Others	0.7	0.3	0.3	0.4
Chg in assets & liabilities from oper activities	-1.4	0.9	0.6	-1.2
Chg in accounts receivable	8.0	0.6	5.7	6.5
Chg in inventories	0.0	0.0	0.1	0.2
Chg in accounts payable	5.1	1.2	3.4	5.3
Others	-14.5	-0.9	-8.7	-13.1
Cash flow from investing activities	-28.7	-5.7	-13.0	-13.5
Disposal of tangible assets	-7.3	-12.0	-10.0	-12.0
Reductions in intangible assets	0.0	0.0	0.0	0.0
Reduction in investment assets	-1.0	1.0	-0.2	-0.1
Others	-20.4	5.2	-2.8	-1.4
Cash flow from financing activities	25.4	-1.5	-2.2	-6.9
Chg in bonds and borrowings	5.8	-1.5	-2.2	-6.9
Chg in equity	0.7	4.4	0.0	0.0
Dividends	0.0	0.0	0.0	0.0
Others	19.0	-4.4	0.0	0.0
Chg in cash	5.4	5.3	0.7	-0.8
Beginning cash balance	0.3	5.7	11.0	11.7
Ending cash balance	5.7	11.0	11.7	10.8

VALUATION

(W, %, x)	2005	2006F	2007F	2008F
P/E (x)	6.4	5.2	5.6	4.1
P/CF (x)	5.6	4.5	4.9	3.6
P/S (x)	0.7	0.7	0.8	0.6
P/BV (x)	0.9	0.8	0.9	0.8
P/EBITDAPS (x)	4.6	3.9	4.4	3.3
EV/EBITDA (x)	5.2	4.7	3.5	2.3
EPS (W)	877.0	1,082.3	1,003.4	1,349.5
CFPS (W)	992.2	1,258.2	1,149.1	1,553.3
SPS (W)	7,470.3	8,539.6	7,074.4	9,022.3
BVPS (W)	6,005.2	5,099.7	4,501.1	5,850.5
EBITDA per share (W)	1,206.6	1,446.3	1,266.0	1,696.7
Dividend payout ratio (%)	10.5	10.3	10.7	10.2
Cash dividend ratio (%)	10.5	10.3	10.7	10.2
Dividend yield (%)	3.6	1.4	1.9	2.5
D/E ratio (%)	58.9	46.1	44.1	35.1
Current ratio (%)	212.7	198.3	164.2	186.4
Bor./shareholders' equity (%)	25.6	19.7	13.7	4.2
Net bor./shareholder's equity (%)	-20.4	-14.8	-17.7	-20.7
Net borrowings/sales (%)	-16.4	-12.9	-15.3	-17.1
Net interest expenses/sales (%)	0.6	0.2	-0.1	-0.3
Interest coverage ratio (x)	17.7	29.8	39.6	47.3
ROA (%)	17.4	13.3	15.4	17.2
ROE (%)	24.7	15.7	17.9	19.9
ROIC (%)	34.8	28.4	30.5	32.0

Source: Company data, Daewoo Securities

Analyst of the subject company or member of the analyst's household does not have any financial interest in the securities of the subject company and the nature of the financial interest (including without limitation, whether it consists of any option, right, warrant, future, long or short position).

This report has not been distributed to any third party including institutional investors and other interest groups prior to the public release of this report.

As of September 21, 2006, Daewoo Securities Co., Ltd and/or its affiliates do not have any special interest with the subject company and do not own 1% or more of the subject company's shares outstanding.

This report reflects the sole opinion of the analyst (Paul Park) without any external influences by third parties.

Daewoo Securities Co., Ltd. may have managed or co-managed a public offering of securities for the subject company, or received compensation for investment banking services from the subject company in the past 12 months.

This report has been provided by the ERII (Equity Research for International Investors) department of Daewoo Securities Co., Ltd. Daewoo Securities ERII is run independently of the research division of Daewoo Securities Co., Ltd. The stock ratings, target prices, estimates and overall viewpoints of ERII may differ from the research division of Daewoo Securities. This report must be viewed as Daewoo Securities ERII's independent opinion and must not be interpreted by any means as an official viewpoint of the research division of Daewoo Securities Co., Ltd. Daewoo Securities ERII was established to service international institutional investors although the reports are released publicly. Investors can access Daewoo Securities ERII's research through Firstcall, Daewoo research direct (www.bestez.com), Multex and Bloomberg (DWIR).

Daewoo Securities Co., Ltd. is a full-service, integrated investment banking, and brokerage firm. We are a leading underwriter of securities and leading participant in virtually all trading markets. We have investment banking and other business relationships with a substantial percentage of the companies covered by the research division of Daewoo Securities and Daewoo Securities ERII. Our research professionals provide important input into our investment banking and other business selection process. Investors should assume that Daewoo Securities Co., Ltd. are seeking or will seek investment banking or other business from the subject companies covered by this report and that the research analysts who involved in preparing this report may participate in the solicitation of such business. Our research analysts' compensation is determined based upon the activities and services intended to benefit the investors of Daewoo Securities Co., Ltd. Like all employees of Daewoo Securities Co., Ltd., analysts receive compensation that is impacted by overall firm profitability, which includes revenues from, among other business units, the institutional equities, investment banking, proprietary trading, and private client division.

This document was prepared by Daewoo Securities Co., Ltd. ("Daewoo"). Information and opinions contained herein have been compiled from sources believed to be reliable and in good faith. The information has not been independently verified. Daewoo makes no guarantee, representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information and opinions contained in this document. Daewoo accepts no responsibility or liability whatsoever for any loss arising from the use of this document or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice. This document is for information purposes only. It is not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments. This document may not be reproduced, further distributed or published in whole or in part for any purpose.

This document is for distribution in the United Kingdom only to persons who are authorized persons or exempted persons within the meaning of the Financial Services Act 1986 or any order made thereunder.

Daewoo's U.S. affiliate, Daewoo Securities (America) Inc., distributes this document in the U.S. solely for "major U.S. institutional investors" as defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934. Any U.S. recipient of this document who wishes to effect transactions in any securities discussed herein should contact and place orders with Daewoo Securities (America) Inc.

A summarized version of this report is available in Daewoo Securities 'Korea Daily Focus' on September 22, 2006.

DAEWOO SECURITIES INTERNATIONAL NETWORK

DAEWOO SECURITIES CO., LTD.

150-716, 34-3, Youido-dong, Yongsongpo-ku, Seoul, Korea
Tel : (822) 768-4143 Fax : (822) 768-2126
Contact: Alfred Park alfredpark@bestez.com

Daewoo Securities (Europe) Ltd.

41st floor, Tower 42, 25 Old Broad Street,
London EC2N 1HQ, U.K.
Tel : 4420-7982-8000 Fax : 4420-7982-8040
Contact: Paul Song paul.song@dwse.com

Daewoo Securities (Hong Kong) Ltd.

Suite 816-819, Jardine House,
1 Connaught Place, Central, H.K., China
Tel : 852-2845-6332 Fax : 852-2845-5374
Contact: H. J. Ahn hjahn@dws.com.hk

Daewoo Securities (America) Inc.

600 Lexington Avenue, Suite 301
New York, NY 10022 U.S.A.
Tel : 1212-407-1000 Fax : 1212-407-1010
Contact: Joel Choi joelchoi@dwsusa.com

Tokyo Representative Office

Rm. 701 Build X, 2-1-11 Nihonbashikayaba-Cho,
Chuo-Ku, Tokyo, Japan
Tel : 813-5642-6070 Fax : 813-5642-6228
Contact: John Sejung Oh johnoh@bestez.com