



Doosan Infracore

DOOSAN INFRACORE

2009 1st Investor Meeting

February 2009



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2008 results

Unit : KRW billion, %

- Sales and operating profit, which have continued to grow since 2005, climbed a respective 6.5% and 8.1% in 2008

	05	06	07	08		CAGR
				Result	YoY	
Sales	2,815.3	3,282.8	3,719.9	3,963.4	6.5%	12.1%
Operating Profit	174.5	243.9	321.3	347.4	8.1%	25.8%
Operating Margin (%)	6.2%	7.4%	8.6%	8.8%	0.2%P	
EBITDA	227.1	327.1	391.6	420.6	7.4%	22.8%
(Net Financial Cost)	32.1	24.3	24.4	64.1	39.7	
(Equity Method)*	31.8	-12.4	-35.6	-221.8	-186.2	
Pretax Profit	179.2	191.2	285.8	23.2	-91.9%	

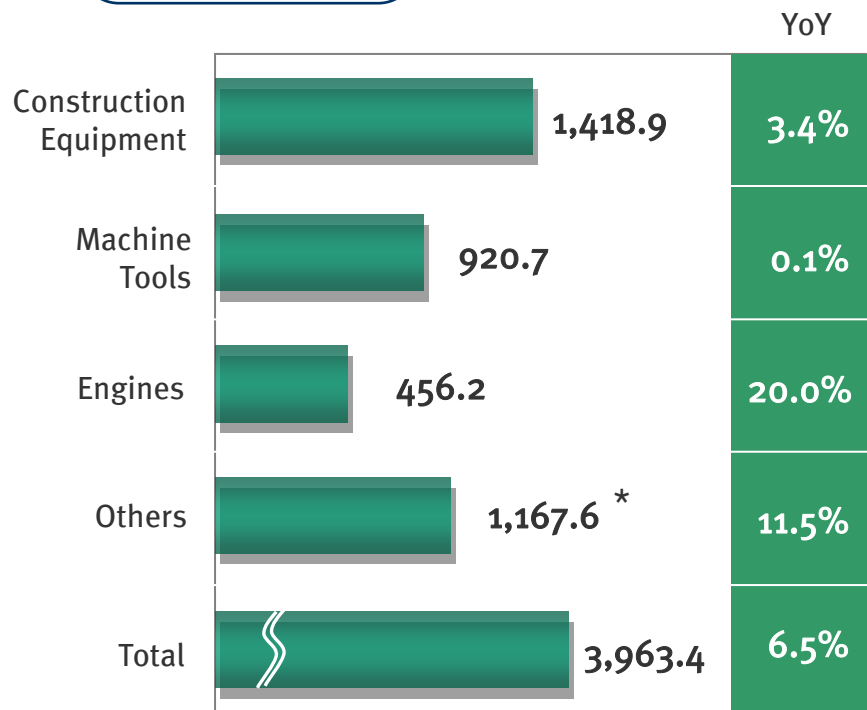
* Valuation gains/losses on goodwill not reflected

2008 divisional sales & EBIT

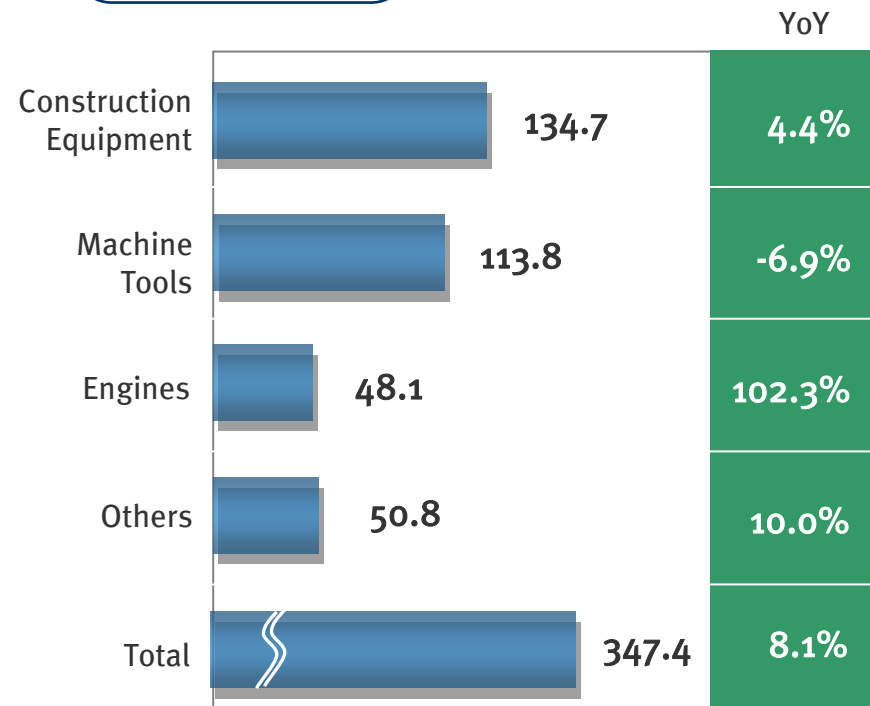
Unit : KRW billion, %

- Despite the market downturn worldwide, sales for all divisions grew on YoY comparison, while EBIT from all divisions other than the machine tools BG improved during 2008

Sales



EBIT

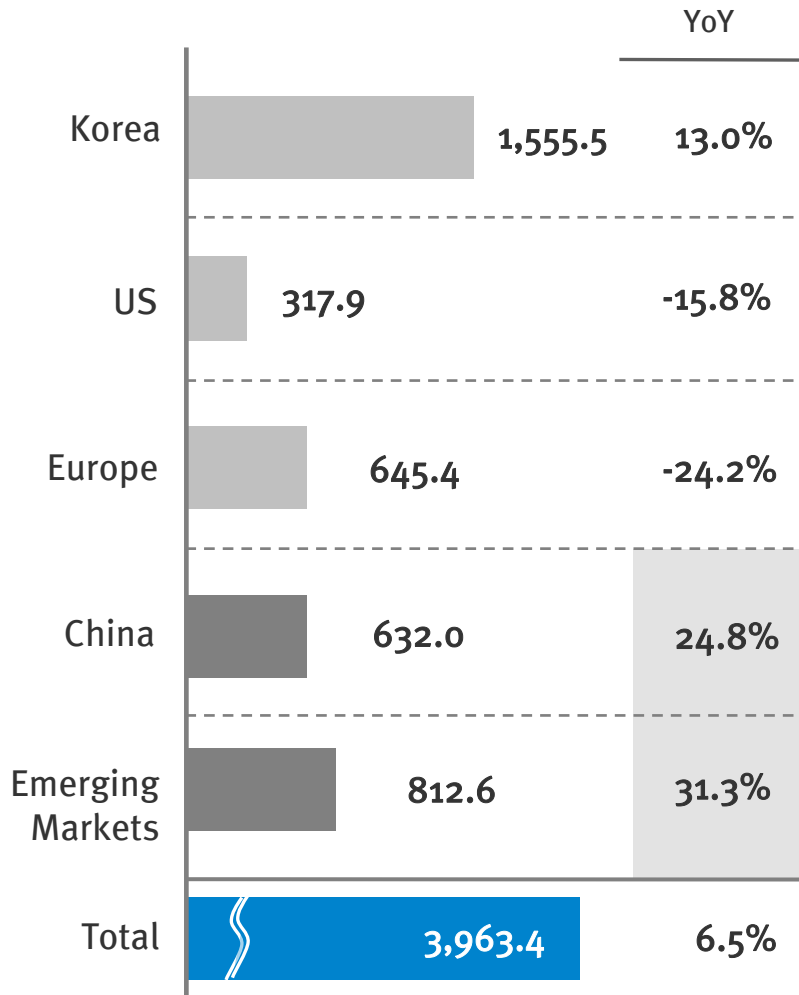


* Others include defense KRW532.1 billion and industrial vehicles KRW461.0 billion

2008 regional sales

Unit : KRW billion, %

Sales



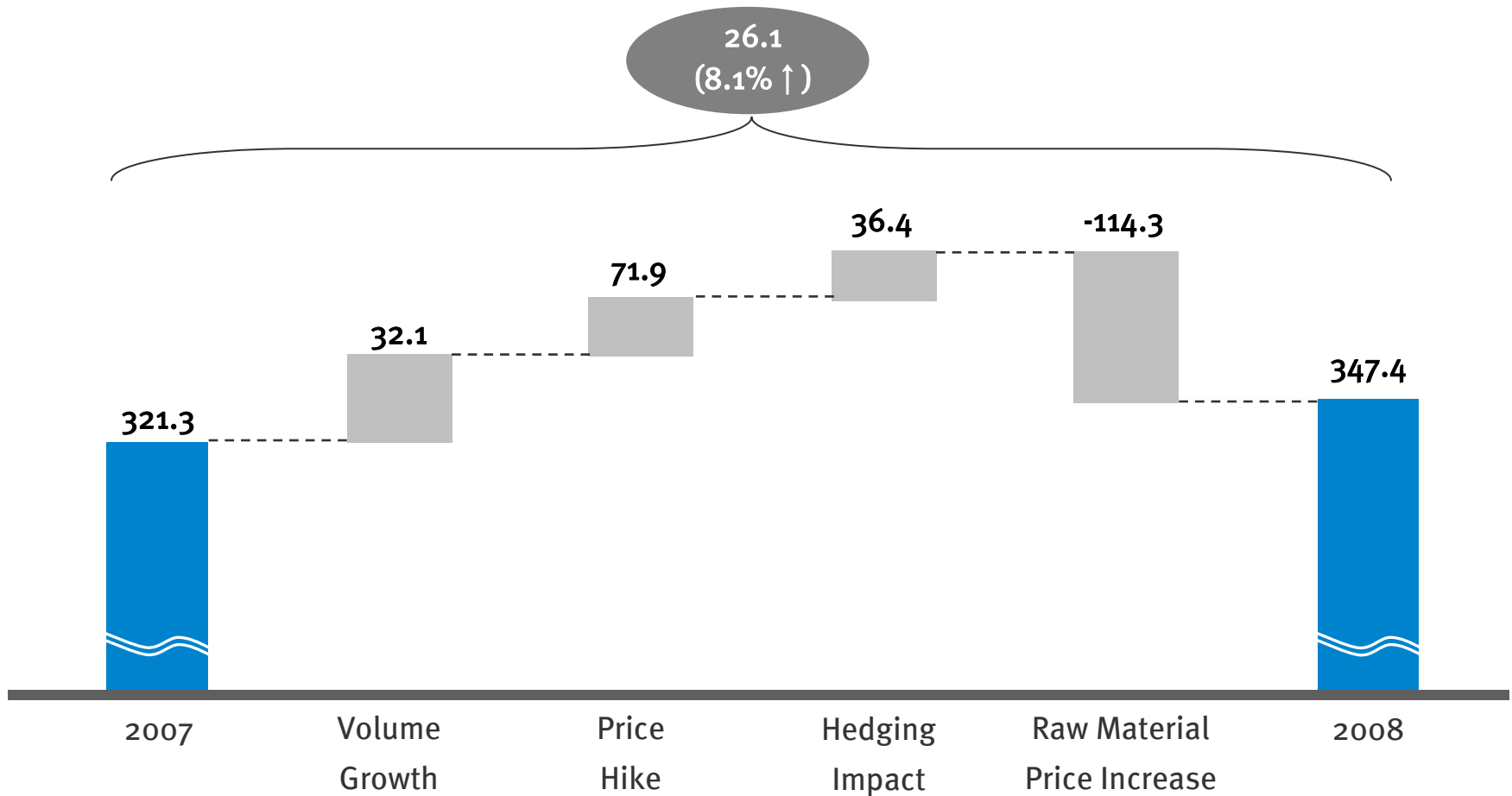
Highlights

- All divisions showed steady sales growth. In particular, the construction equipment and machine tools units reported double-digit sales growths on the back of replacement demand for excavators and machine tools demand from related industries to shipbuilding, machineries and petrochemical.
- Despite stable growth from generator engine and high-end machine tools sales, impact from the sluggish economy and credit crisis led to the YoY decline.
- Construction equipment and machine tools division sales contracted on the back of the accelerated pace of recession in Europe.
- Thanks to the continuous infrastructure investment and resource development in China, the construction equipment and engine sales rose by 25%.
- Sales from the emerging markets surged on the back of CIS and Latin American markets.

2008 EBIT analysis

Unit : KRW billion, %

- EBIT improved by KRW26.1 billion YoY thanks to volume growth and cost reduction, which offset the impact of raw material price hike



2008 financials

Unit : KRW billion, %

- Solid financials (such as interest coverage ratio) despite the US\$700mn foreign currency based debt from the acquisition of DII and won's depreciation

	05	06	07	08
Current Assets	1,251.9	1,245.1	1,288.4	2,119.5
Fixed Assets	1,213.3	1,224.9	1,918.9	2,929.8
Total Assets	2,465.1	2,470.0	3,207.3	5,049.3
Total Liabilities	1,366.7	1,408.6	2,098.0	3,379.8
- Net Debt	465.1	353.2	994.5	1,508.3
Total Shareholders' Equity	1,098.4	1,061.4	1,109.3	1,669.5
Liabilities/Equity Ratio	124.4%	132.7%	189.1%	202.4%
Interest Coverage Ratio	4.2x	9.2x	10.8x	4.8x

2008 results (consolidated)

Unit : KRW billion, %

- Consolidated sales in 2008 rose 16.2% YoY. However, operating profit dropped due to raw material price hike from overseas.

	05	06	07	08		CAGR
				Result	YoY	
Sales	3,099.1	3,706.7	4,280.1	4,973.6	16.2%	17.1%
Operating Profit	216.3	303.1	385.5	351.3	-8.9%	17.5%
Operating Margin (%)	7.0%	8.2%	9.0%	7.1%	-1.9%P	
EBITDA	275.0	388.1	458.2	439.2	-4.1%	16.9%
(Net Financial Cost)	37.2	32.7	42.2	89.7	47.5	
(Equity Method)	-1.0	-25.0	-43.9	-209.7	-165.8	
Pretax Profit	192.1	201.7	314.4	23.3	-92.6%	

4Qo8 results

Unit : KRW billion, %

Overview

	1Q	2Q	3Q	4Q
Sales	1,018.3	1,180.7	1,039.1	725.3
Operating Profit	135.8	166.4	79.4	-34.3
Operating Margin (%)	13.3%	14.1%	7.6%	-4.7%
- Equity Method	-2.6	-18.6	-66.3	-134.3
- F/X Gains/Losses	-28.0	-43.4	-52.0	117.9
- Interest Expenses	13.7	14.1	14.6	21.8
Recurring Profit	92.4	60.8	-58.5	-71.5

- Following the sharp decline in demand worldwide and resultant 23% YoY drop in sales, operating profit turned to red to -KRW34.3 billion in view of greater fixed cost burden.
- By division, all but the defense BG (+49% YoY) reported a YoY decline in sales (-39% YoY for construction equipment BG, -23% YoY for machine tools BG, -10% YoY for engine BG and -38% YoY for industrial vehicle BG).
- Despite the losses reported in 4Q, we expect earnings to bottom out in 1Q thanks to the recovery of construction equipment sales in China.
- Excavator sales volume trend in China

	Oct. o8	Nov. o8	Dec. o8	Jan. o9
	595	463	396	594
	-29.3% YoY	-51.9% YoY	-47.8% YoY	-27.6% YoY

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1 Sales and profit growth via R&D and better line-up

- Profit generated from component sales thanks to development of engines using proprietary technology
- Continuous sales growth and more package sales in light of better product line-up

R&D



- **EURO-4 engine**
 - Environmentally friendly and highly efficient diesel engine
 - Visible results from developed markets (Building up the market for EURO-5)



- **Chinese wheel loader**
 - Entrance into China's domestic wheel loader market (150k units)
 - Establishing the export base for emerging markets)

M&A



- **DMA ***
 - Acquisition of Moxy Engineering (Norway)
 - Entrance into the KRW₄ trillion market for articulated dump trucks



- **DILE ****
 - Acquisition of ATL (Germany)
 - Secured line-up for warehouse equipments and production base for Europe

* Doosan Moxy AS

** Doosan Infracore Logistics Europe GmbH

2 Stronger foothold in global markets

Unit : KRW billion, %

- Still No. 1 in Korea and China, while reporting superb growths in emerging markets

Regional Sales (Consolidated)

		YoY
Korea	1,555.5	13.0% ↑
China	1,261.1	42.0% ↑
Europe	832.8	-7.0%
N. America	484.9	4.8% ↑
Emerging Markets	837.9	27.5% ↑
Total	4,972.2	16.2% ↑

Existing Market

- Korea : No. 1 market shares for all products
 - 45% for excavators, 52% for forklift trucks and 48% for machine tools
- Maintain No. 1 market share in China for excavators
- Steadily growing share in US construction equipment market (1.4% → 1.9%)

Emerging Market

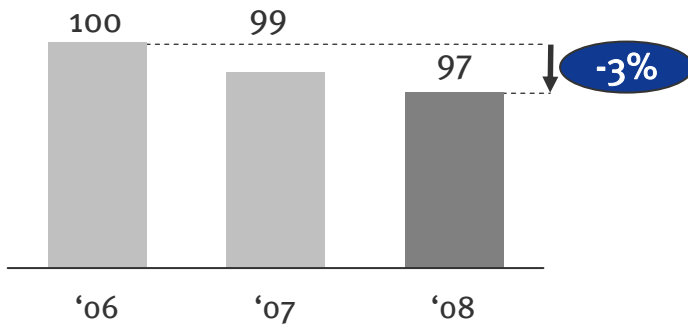
		YoY
Latin America	120.7	71.9% ↑
CIS	113.9	20.9% ↑
Africa	113.2	52.9% ↑
India	66.4	21.5% ↑
Others	92.6	55.6% ↑

3 Visible results from operational innovation

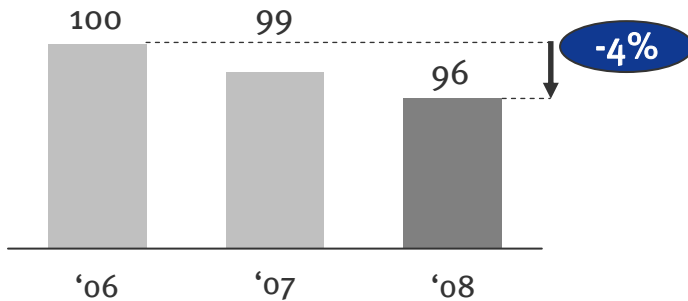
- Cost improvement via DTC * (design to target cost) and PSM ** (purchasing and supply management)
- Better quality attained by improving the new product development process and initiating a pre-approval system for parts manufacturing

% of raw material

- Construction Equipment ■ Unit : cunits, %

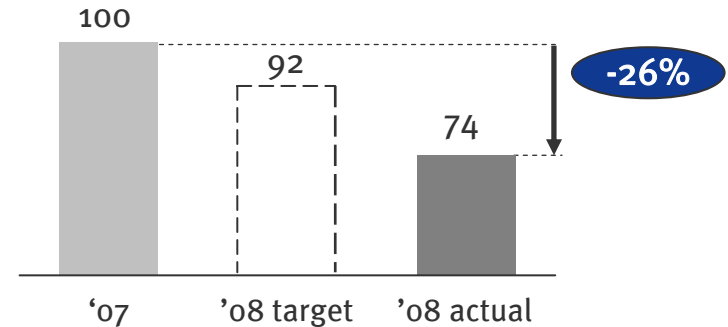


- Engine

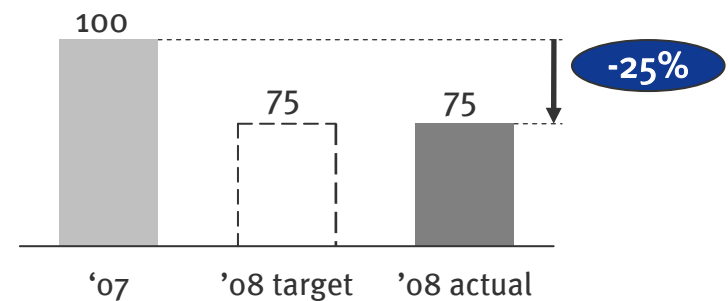


Initial DPHU ***

- Machine Tools ■ Unit : default per hundred units, %



- Engine



* Design to Target Cost, ** Purchasing & Supply Management, *** Initial (3 months after shipment) / Default per hundred units

4 Enhanced business capability

- Business capability enhanced with the establishment of technical centers and parts centers to strengthen after service and technical support



- **R&D center for machine tools in Changwon**
 - Plays a key role in machine tools R&D
 - Largest in Korea



- **Wheel loader plant in China**
 - Production site and export base for emerging markets
 - Production capacity of 8,000 unit ('09)
→ 18,000 units ('12)



- **Technical center in India**
 - Provides technical support in close proximity to clients and enables sales of high-end products
 - Provide customer-specific services



- **No. 3 parts warehouse in Ansan**
 - 24-hour parts supply system and greater storage capability
 - Introduced advance logistics system

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2009 outlook

Unit : KRW billion, %

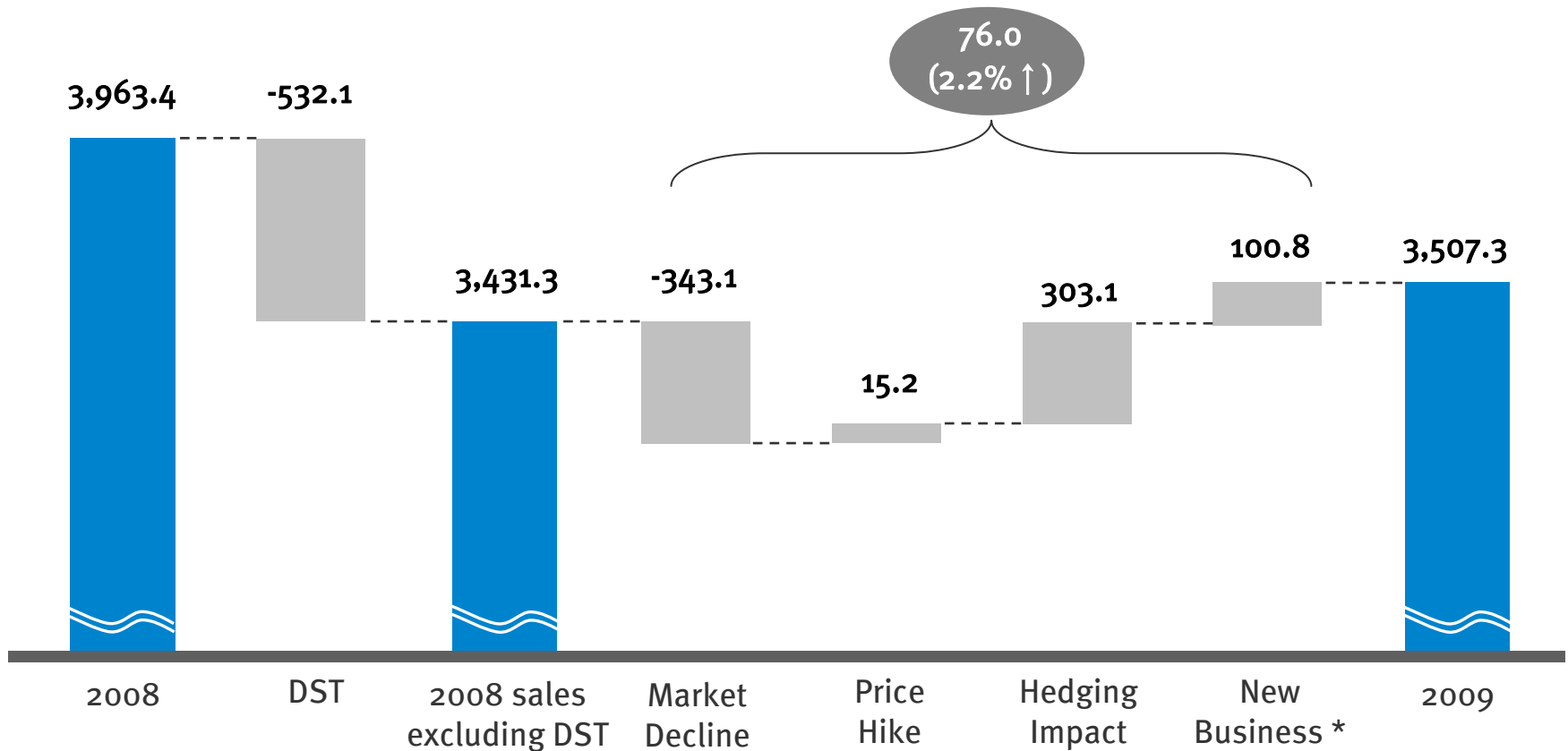
- Sales and operating profit are projected to rise by 2.2% and 19.7%, respectively, in 2009

	06	07	08	08 (excl. DST)	09		CAGR
					Target	YoY	
Sales	3,282.8	3,719.9	3,963.4	3,431.3	3,507.3	2.2%	2.2%
Operating Profit	243.9	321.3	347.4	332.1	397.5	19.7%	17.7%
Operating Margin (%)	7.4%	8.6%	8.8%	9.7%	11.3%	1.6%P	
EBITDA	327.1	391.6	420.6	400.2	470.3	17.5%	12.9%
(Net Financial Cost)	24.3	24.4	63.6	50.4	65.1	14.7	
(Equity Method)	-12.4	-35.6	-221.8	-220.6	-8.6	212.0	
Pretax Profit	191.2	285.8	23.2	21.5	277.4	1,190.2%	

How to attain 2009 sales target

Unit : KRW billion, %

- Impact from hedging and new businesses should offset the adverse effects from market contraction

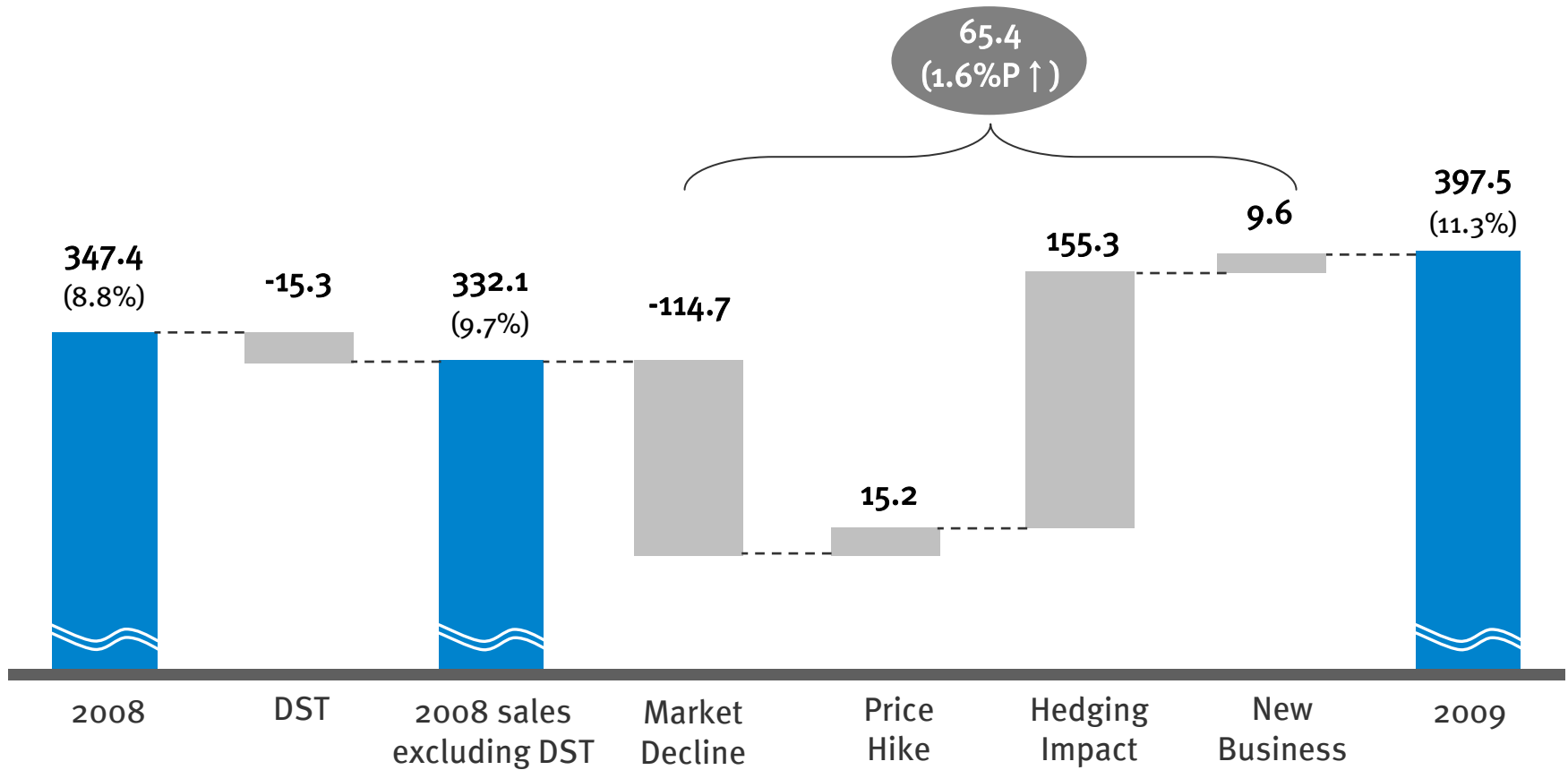


* ADT KRW40.3 billion, Bobcat equipment sales KRW33.5 billion, double column machining center/electric discharge machine KRW11.8 billion, HCNG engine KRW8.8 billion

How to attain 2009 EBIT target

Unit : KRW billion, %

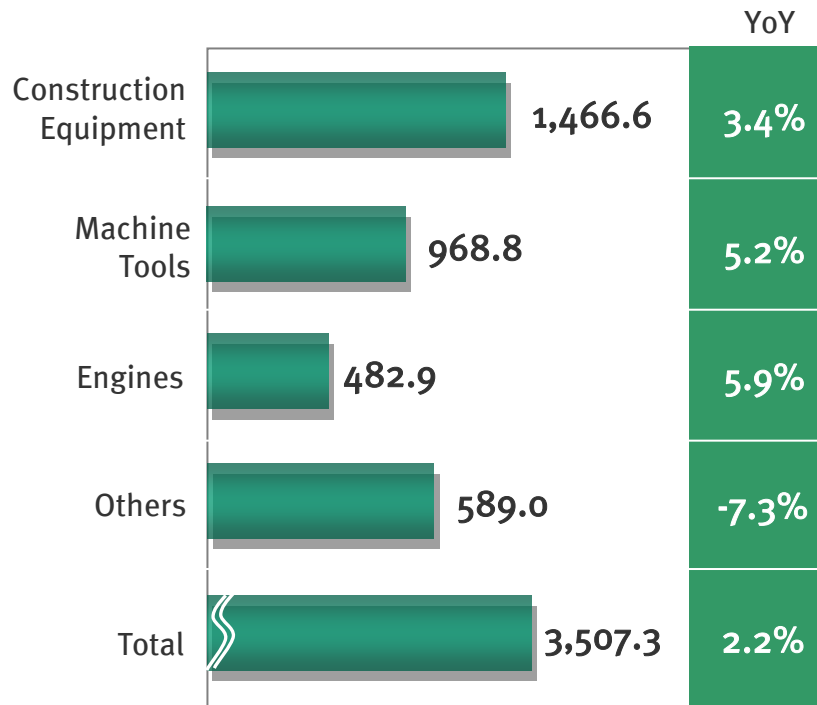
- Substantial improvement in profitability despite the market decline thanks to price hike, new businesses and hedging impact



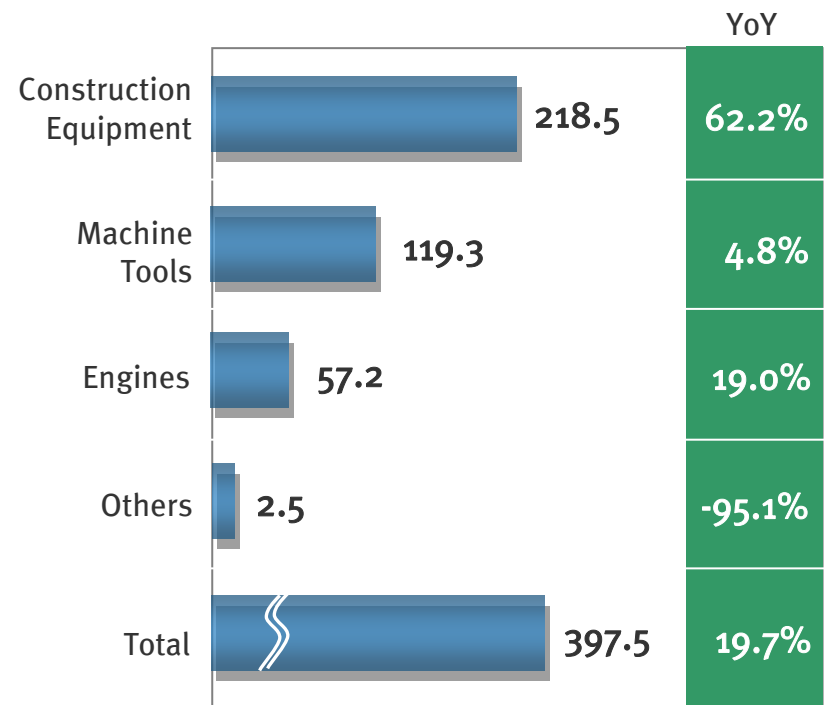
2009 outlook by division

■ Unit : KRW billion, %

Sales



EBIT



2009 financial target

Unit : %, times

- Financial structure to improve on the back of proactive cash flow management strategy

	06	07	08	09
Current Assets	1,245.1	1,288.4	2,119.5	1,623.3
Fixed Assets	1,224.9	1,918.9	2,929.8	3,208.0
Total Assets	2,470.0	3,207.3	5,049.3	4,831.3
Total Liabilities	1,408.6	2,098.0	3,379.8	2,883.0
- Net Debt	353.2	994.5	1,508.3	1,383.3
Total Shareholders' Equity	1,061.4	1,109.3	1,669.5	1,948.3
Liabilities/Equity Ratio	132.7%	189.1%	202.4%	148.0%
Interest Coverage Ratio	9.2x	10.8x	4.8x	4.7x

2009 outlook (consolidated)

Unit : KRW billion, %

- Consolidated sales should grow by 7.8% YoY thanks to F/X hedging and new businesses.
- Consolidated operating profit should improve 22.2% YoY due to competitive pricing provided by hedging.

	06	07	08	08 (excl. DST)	09		CAGR
					Target	YoY	
Sales	3,706.7	4,280.1	4,973.6	4,441.9	4,790.0	7.8%	8.9%
Operating Profit	303.1	385.5	351.3	336.7	411.5	22.2%	10.7%
Operating Margin (%)	8.2%	9.0%	7.1%	7.6%	8.6%	1.0%P	
EBITDA	388.1	458.2	439.2	419.4	506.7	20.8%	9.3%
(Net Financial Cost)	32.7	42.2	89.2	76.5	106.3	29.8	
(Equity Method)	-25.0	-43.9	-209.7	-212.9	-65.6	147.3	
Pretax Profit	201.7	314.4	23.3	23.1	193.8	739.0%	

2009 business environment and strategic direction

2009 biz. environment - Opportunities

- **China : Economic growth based on infrastructure investment**
 - Announcement of KRW775 trillion injection to stimulate economic growth
- **Developed markets : Opportunities arising from government-led infrastructure and environment related investments**
 - US : Obama's new deal policies estimated as much as KRW1,200 trillion
 - Europe : Economic stimulus package worth KRW380 billion to be injected during the next 2 years
 - Korea : Execution of 4 major rivers restoration project and green new deal policies

2009 strategic direction

- 1 Enhance profitability via operational excellence and quality improvement
 - Establish sustainable cost reduction system
 - Strive to attain competitive product quality
- 2 Enhance structural competitiveness to take the lead when the global market turns around
 - Technology leadership
 - Management infrastructure to secure global leadership

1-1 Cost competitiveness from operational excellence

Unit : KRW billion

- To secure cost competitiveness from continued from operational excellence and cost reduction efforts

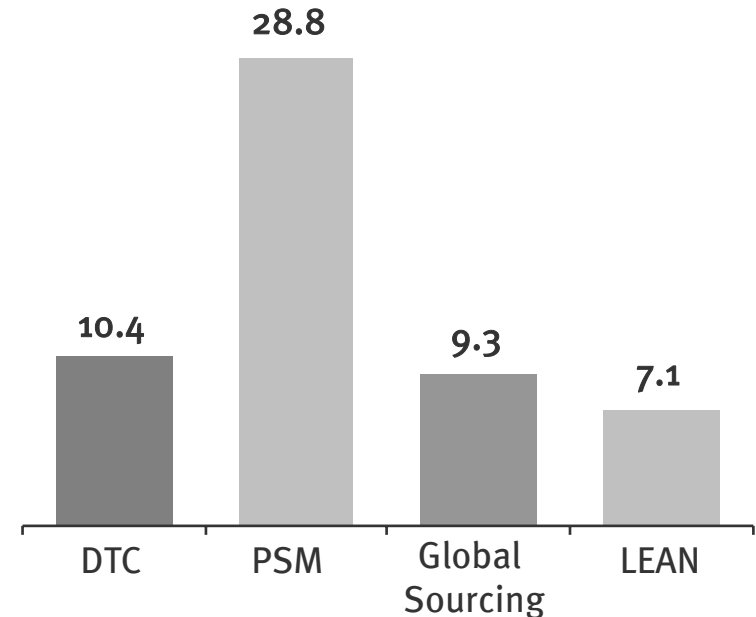
- DTC (design to target cost)
 - Expand application to headquarter and overseas affiliates

- PSM (purchasing and supply management)
 - Upgrade the impact from one-time benefit to a sustainable trend

- Global sourcing
 - Discovering low cost producers (Regional diversification)

- LEAN
 - Reshuffling production lines for enhanced efficiency (Apply to overseas affiliates)

Cost reduction target : KRW55.6bn

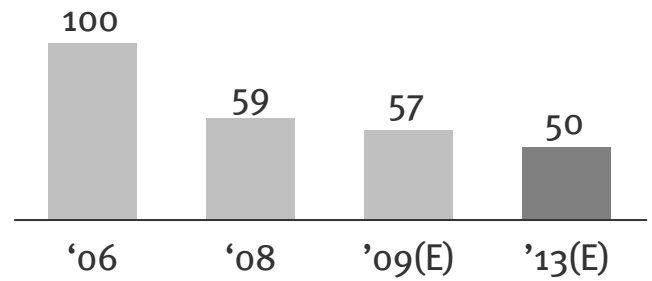


1-2 Stronger quality competitiveness

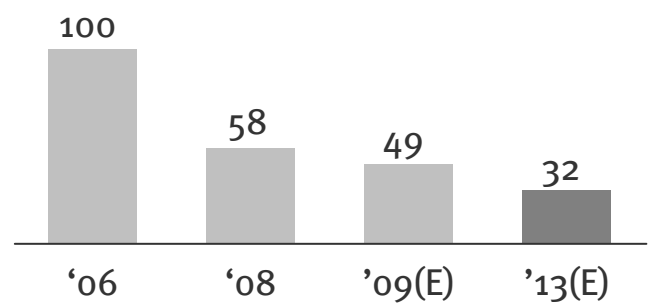
- Quality management extended to achieve a more stable initial quality assessment and sustainable quality improvement
- Targeting an improvement of 12% in defect rate and 5% in product reliability index in 2009
→ To move to the level of top tier companies by '13

Defect rate ¹⁾

- Construction equipment BG

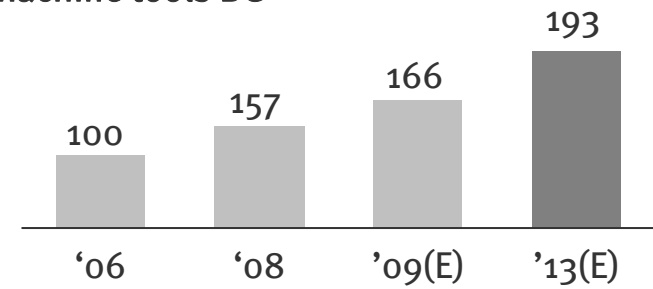


- Machine tools BG

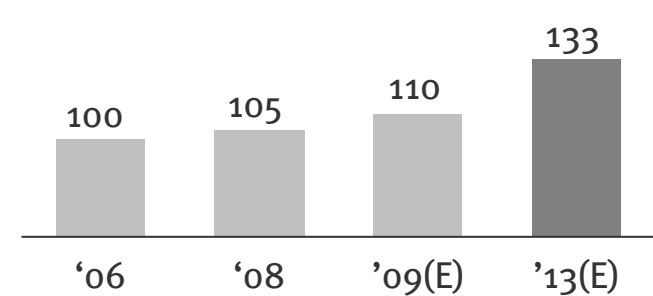


Product reliability index (MTBF ²⁾)

- Machine tools BG



- Industrial vehicle BG



1) Construction equipment BG : No. of claims 400 hours after shipment
Machine tools BG : No. of claims 3 months after shipment

2) Mean Time Between Failure

2 Technology Leadership

- Narrow the gap between top-tier makers by strengthening design and core parts technologies
- Secure green technology to differentiate from competitors

Secure core technology

- Select strategic tasks and focus on core technologies such as designing, which Doosan Infracore still has gap with top-tier companies
- Gain product competitiveness by developing proprietary core parts

Eco technology

- Secure eco-friendly technology and provide a differentiated customer value
 - Develop green and energy-efficient technology (e.g. technology areas such as hybrid products or electronic hydraulic systems)
 - Focus on technologies, which could provide Doosan Infracore with a competitive edge over competition

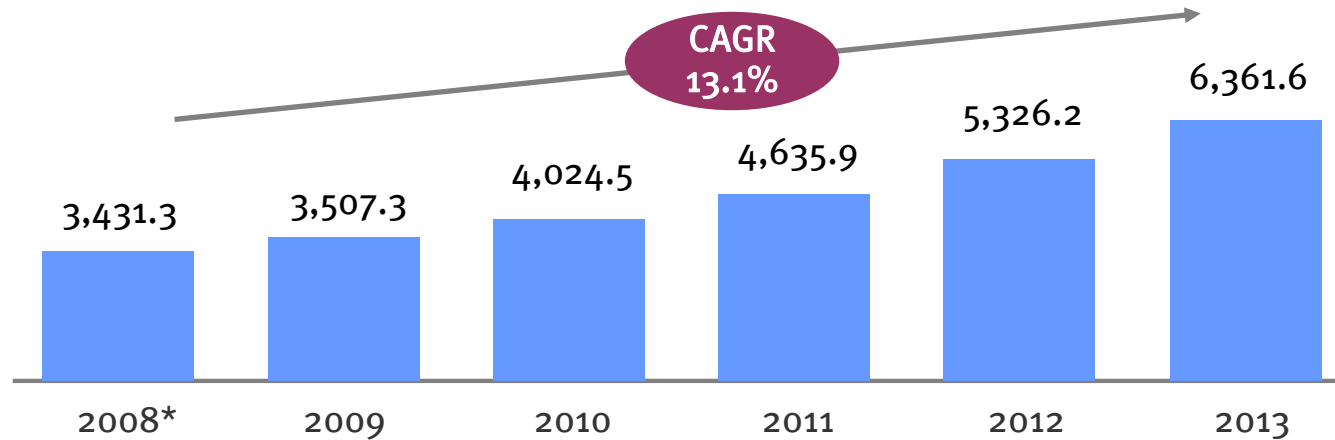
Accelerated pace of technology development and synergies

- Expansion and efficient utilization of technology network at home and abroad
- Engineering synergy secured via acquisition of companies such as DII and Moxy Engineering

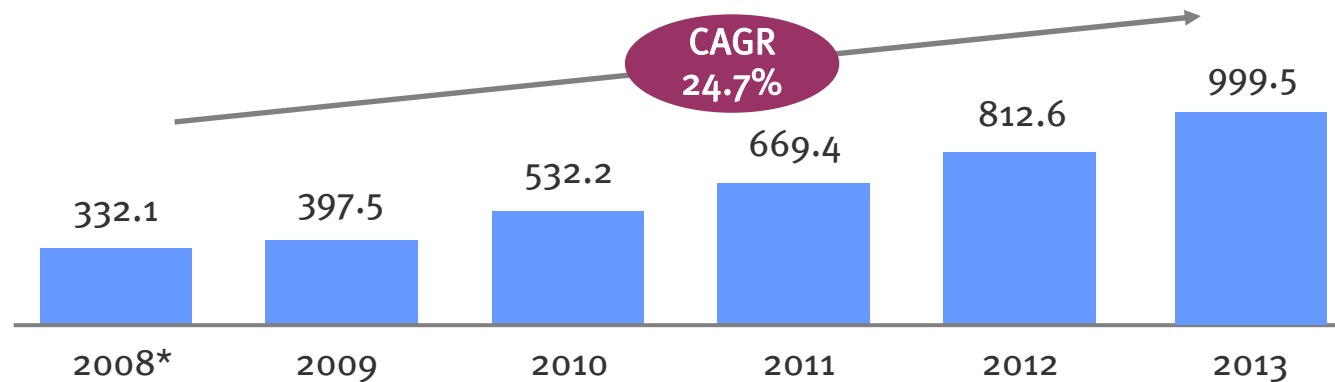
Long-term sales and EBIT projection

Unit : KRW billion, %

Sales



EBIT



* 2008 results exclusive of DST

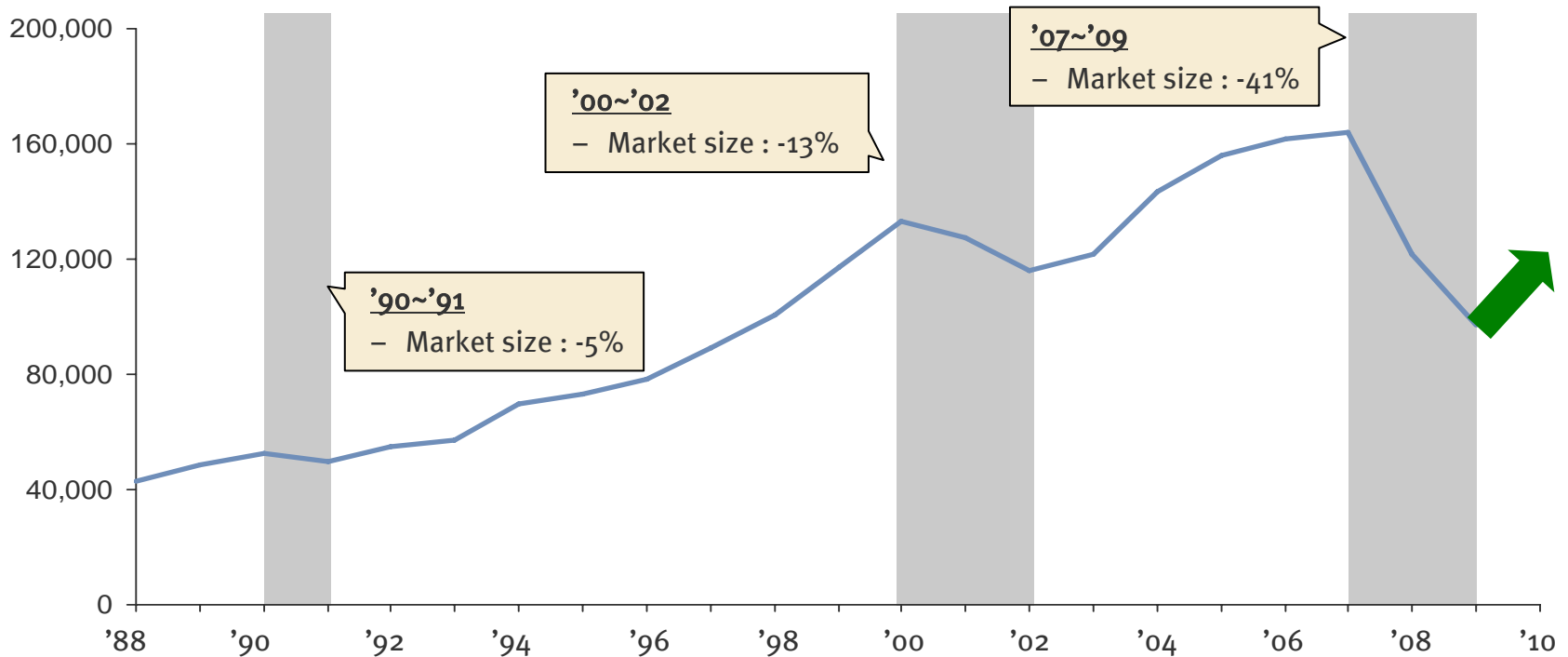
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Sharp global market downturn

- North America/Europe market size contracted by 33% in 3Q08 and 44% in 4Q in 2008.
→ -26% for the full year of 2008
- Based on historic trends, the length of the compact equipment market's downturn was no more than 2 years, thus, we anticipate a rebound from 2010.

Market size of North America + Europe (SSL+MX, Based on volume data)



2008 result

Unit : US\$ million, %

	07	08	YoY
Sales	2,881	2,677	-7.1%
EBIT	377	20	-357
EBITDA	423	143	-280
(EBITDA Margin)	14.7%	5.3%	-9.4%P
EBIT *	377	102	-275
EBITDA *	423	225	-198
(EBITDA Margin)	14.7%	8.4%	-6.3%P

* Apple-to-apple EBITDA : EBITDA exclusive of PMI costs

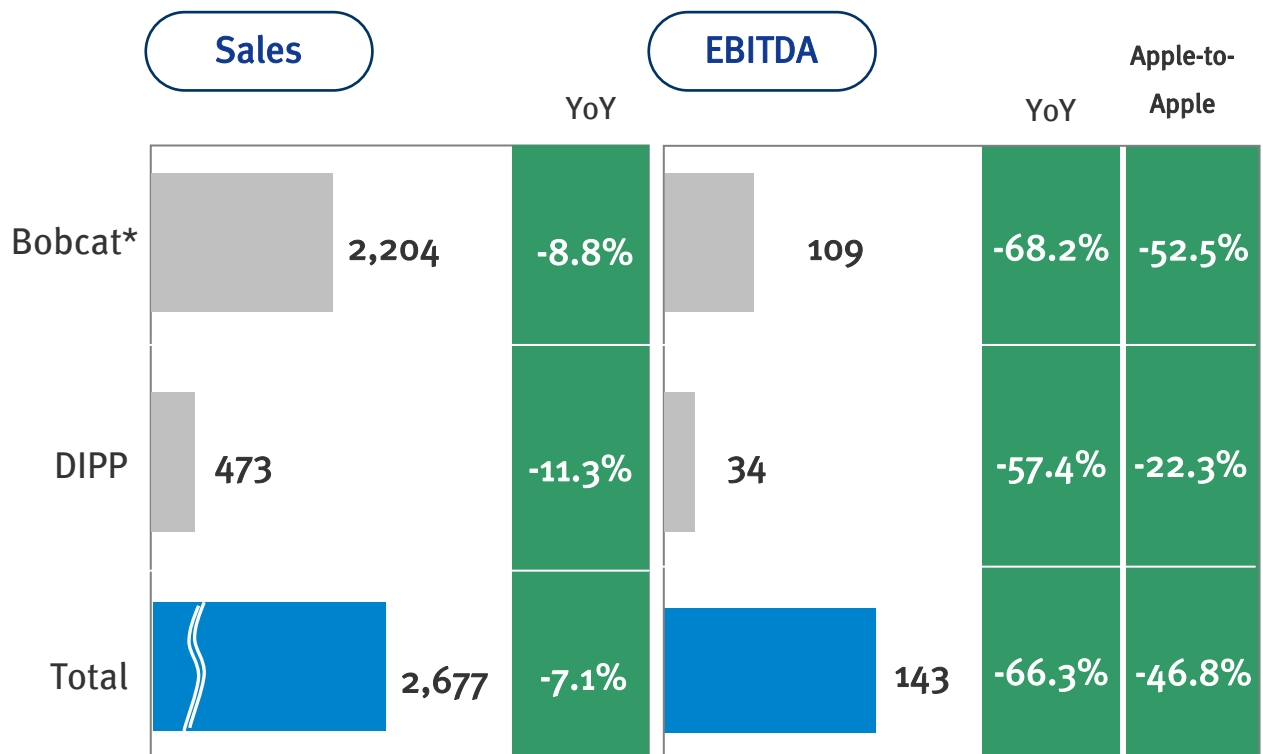
	08
Pretax Profit	-224
[Interest Expenses]	204

Overview

- Despite the 26% market downturn in North America and Western Europe, DII reported a mild sales contraction of 7.1% YoY in light of greater market shares for its key products skid steer loaders and mini excavators.
- Apple-to-apple EBITDA margin stood at 8.4% (-6.3%p), exclusive of US\$82 million PMI related costs.

2008 divisional sales & EBITDA

Unit : US\$ million, %



* '08년도 Attachment BU가 Bobcat BU에 통합됨

- Despite the rapid deterioration of global market conditions, Bobcat's sales declined marginally thanks to market share gains. However, the DIPP BU delivered relatively weak performance.

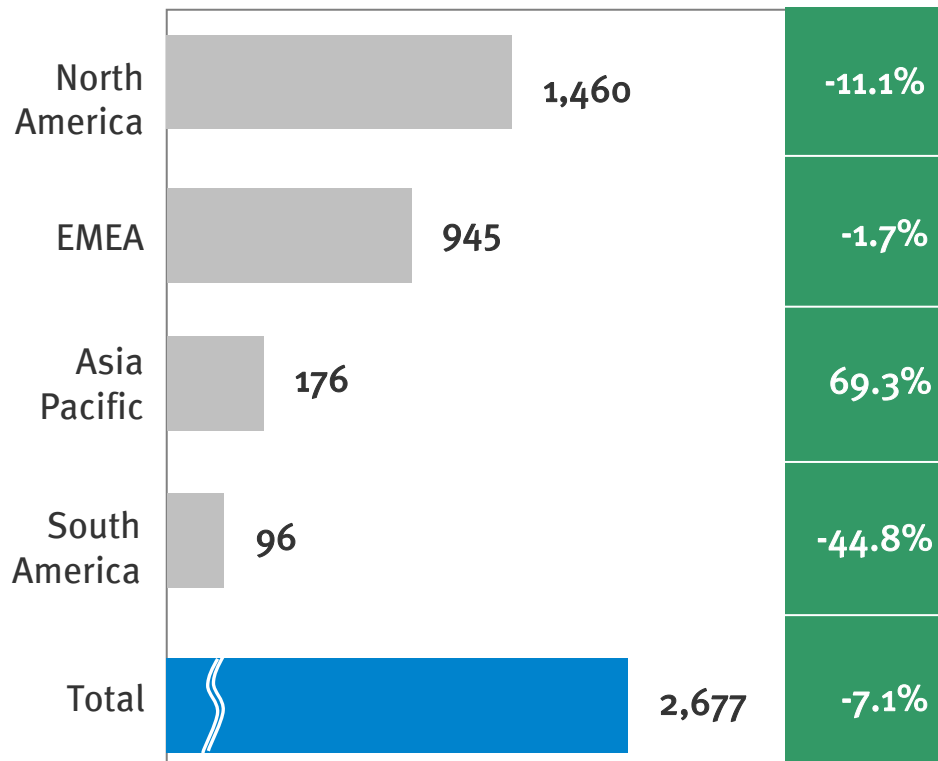
- EBITDA declined US\$280 million compared to last year. However, if we exclude PMI costs, actual EBITDA fell US\$198 million.

2008 regional sales

Unit : US\$ million, %

Sales

YoY

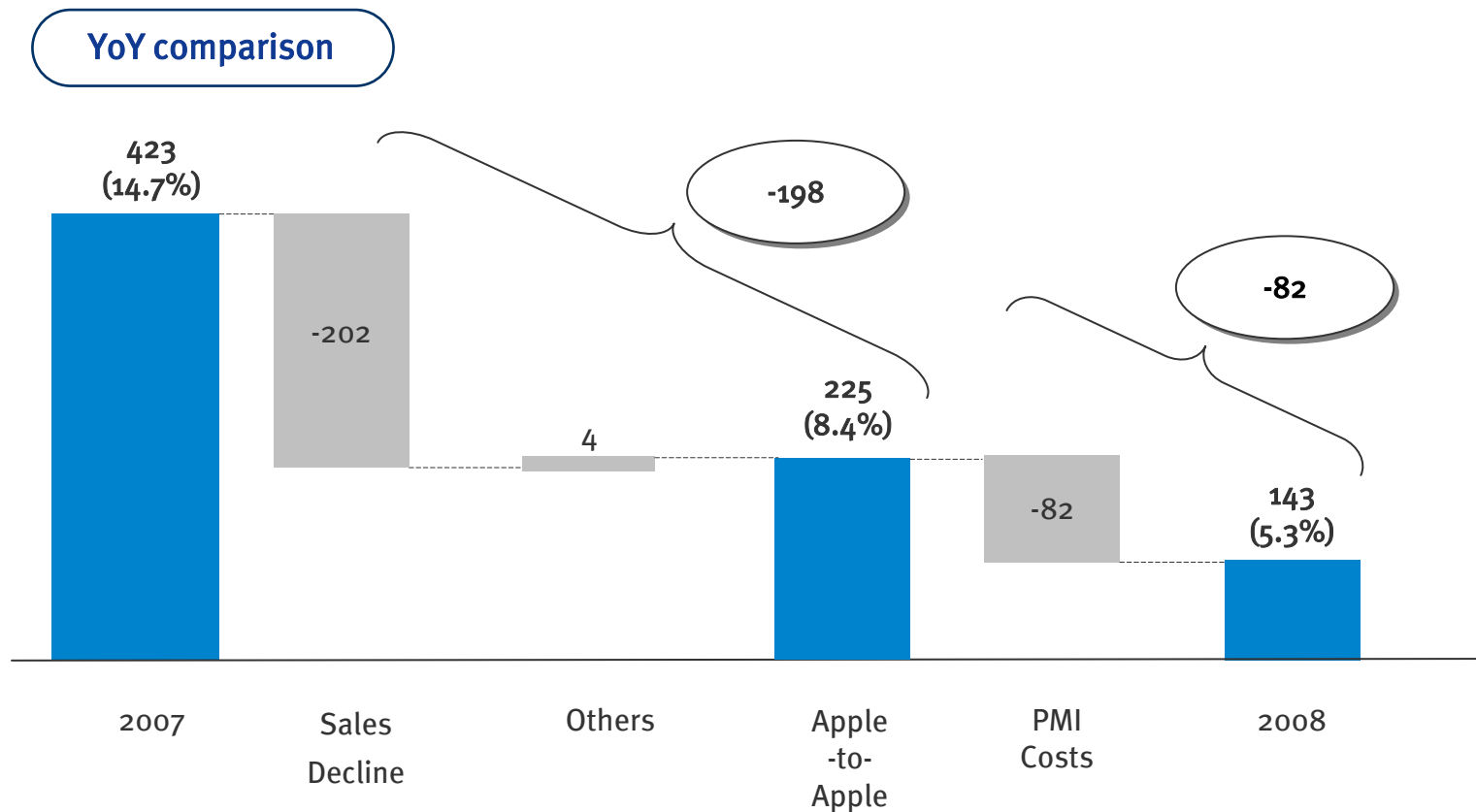


- Although North America and European markets fell 26% YoY, DII's sales outperformed the market.
- Despite the market downturn in Asia Pacific, sales surged thanks to synergies with DI.

2008 EBITDA analysis

Unit : US\$ million, %

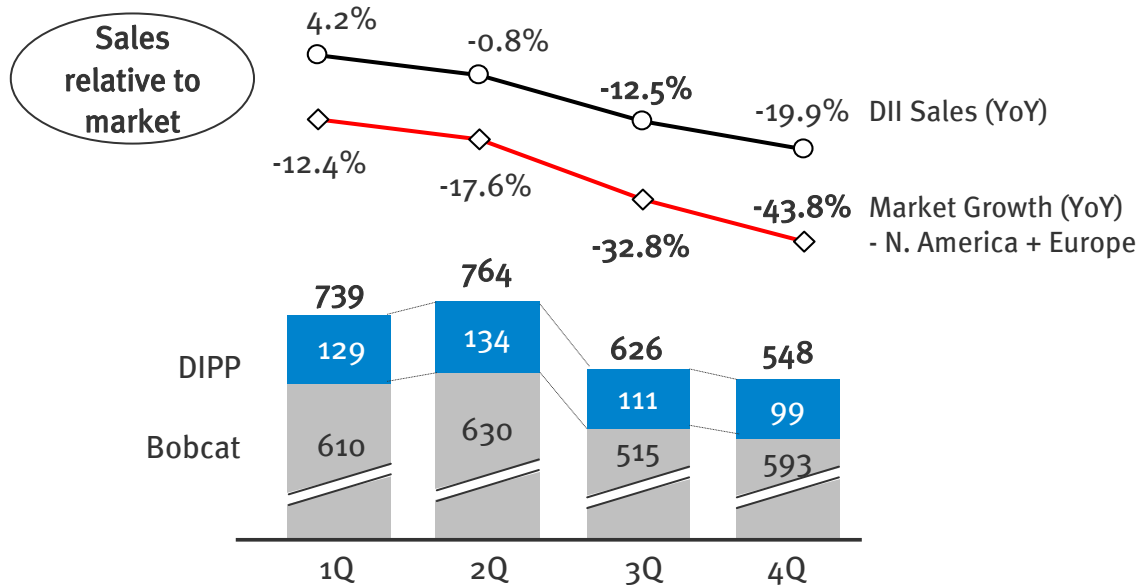
- EBITDA declined in 2008 as a result of a decline in sales and one-time costs incurred to create synergies with Doosan Infracore.



Quarterly sales & market share trend

Unit : US\$ million, %

- Quarterly sales of DII outperformed the market trend as a result of market share gains thanks to its global #1 position.



- DII's sales in 2008 dropped 7.1% YoY, which far surpassed the market contraction of -26.2% YoY.

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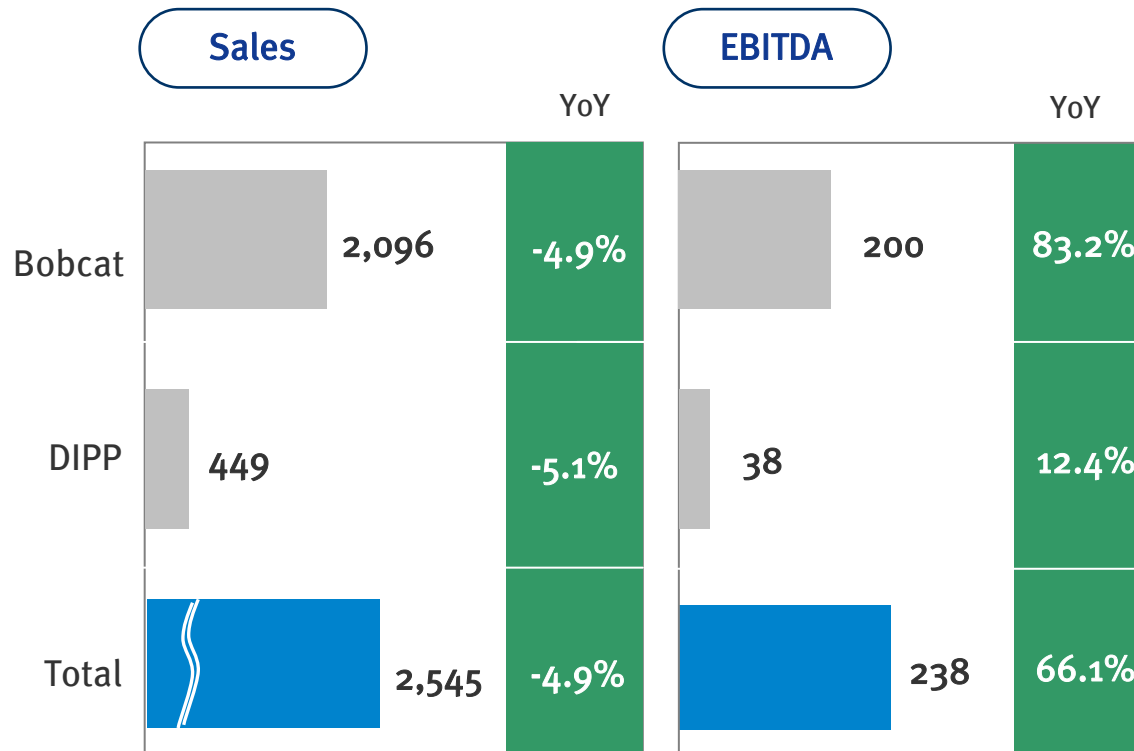
	08	09	YoY
Sales	2,677	2,545	-4.9%
EBIT	20	132	+112
EBITDA	143	238	+95
(EBITDA Margin)	5.3%	9.4%	4.1%P
Pretax Profit	-224	-71	+153
[Interest Expenses]	204	203	-1

Overview

- Due to the continued downturn in the construction equipment market, sales are projected to drop by 4.9% in 2009.
- However, we anticipate operating profit of US\$132 million and EBITDA of US\$238 million on the back of efforts to create synergies and proactive restructuring measures in preparation for the market upturn.

2009 outlook by division

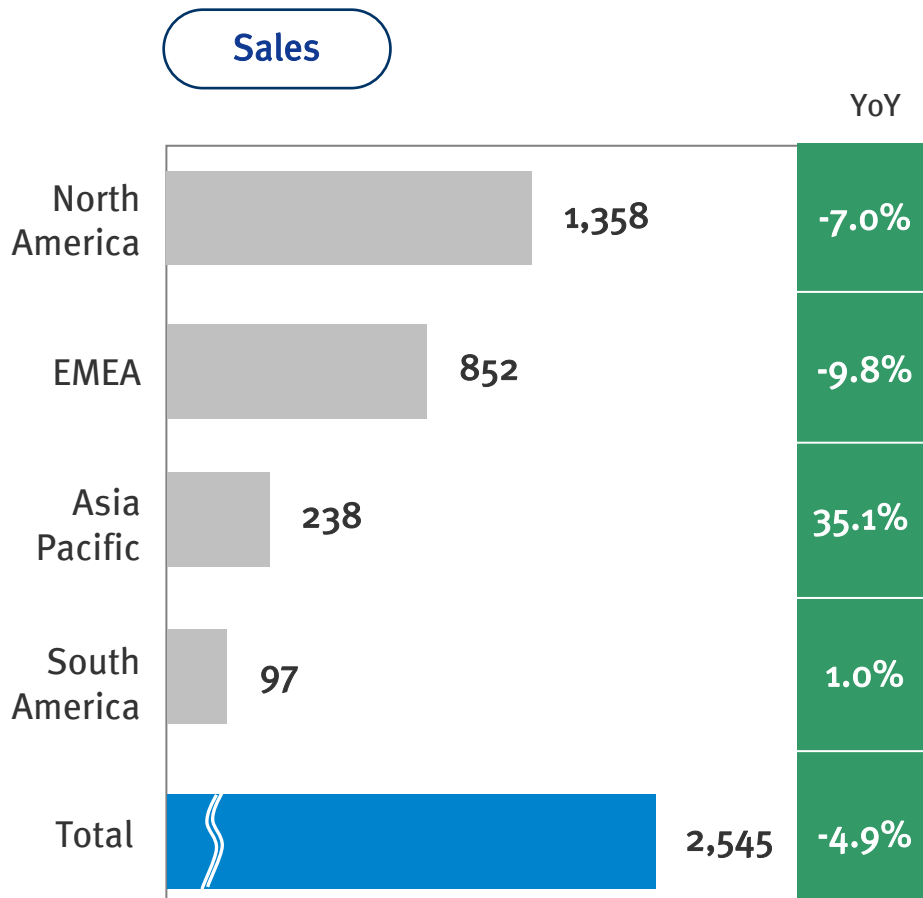
■ Unit : US\$ million, %



- DII will endeavor to solidify its market position for its core products – skid steer loader and compact track loader – and counter the impact from the deteriorating market by introducing new products and developing new markets.
- DII expects to see an improvement in EBITDA by US\$95 million through restructuring efforts and resulting cost structure improvement.

2009 outlook by region

Unit : US\$ million, %



Market Growth Outlook

	North America	EMEA
08	-22%	-14%
09	-18%	-23%

Market Share Outlook

	08	09
SSL	39.7%	41.0%
MX	7.8%	8.2%
Compressor	32.8%	34.3%

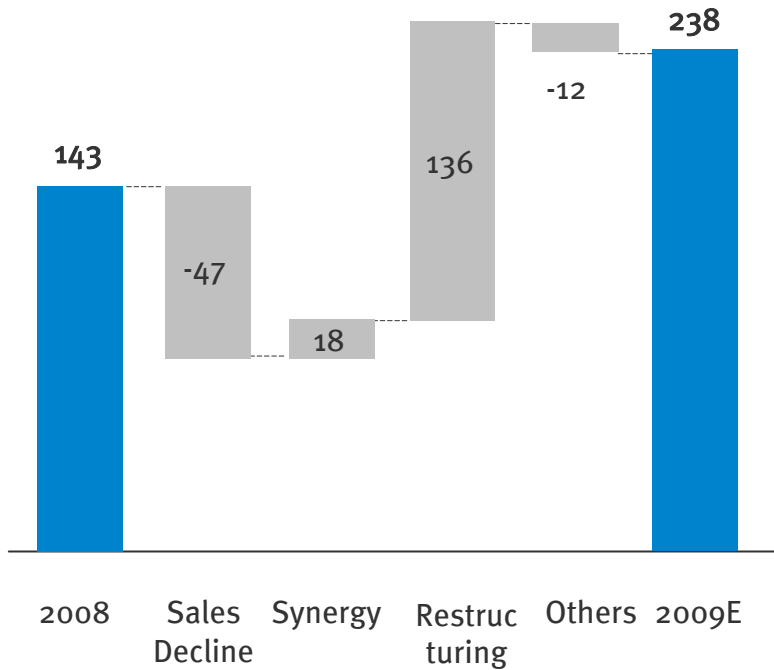
- Despite the sluggish North American and European markets, DII plans to outperform by increasing its market share.
- DII also plans to achieve sales growth in Asia by utilizing Doosan Infracore's market leading position in China.

EBITDA and FCF bridge in 2009

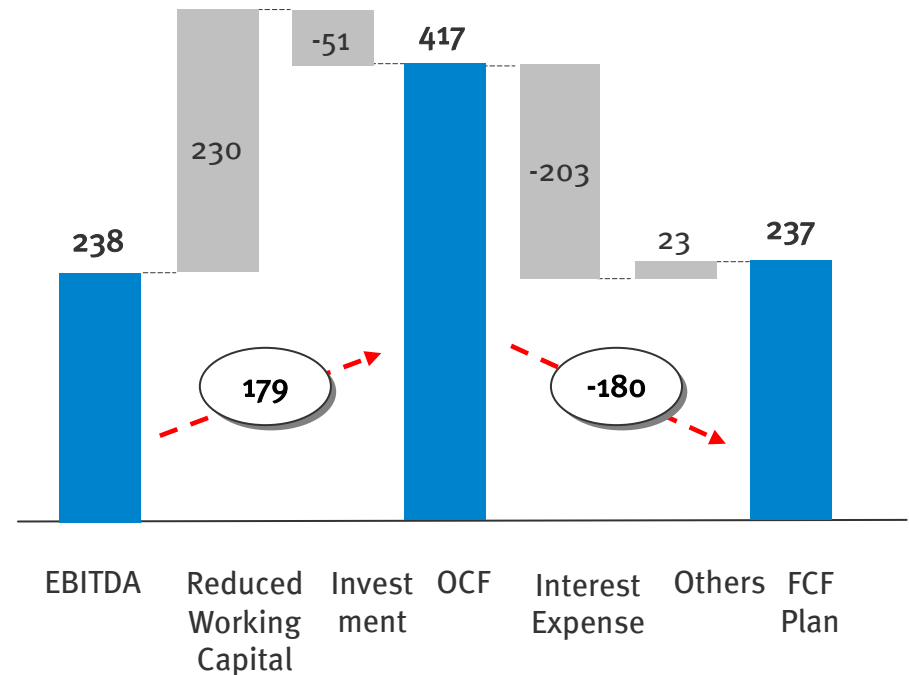
Unit : US\$ million, %

- DII plans to attain EBITDA of US\$238 million by executing its restructuring plan and maximizing synergies with Doosan Infracore. It also plans to improve cash flow and working capital by introducing 'build to order' method of production to lower inventory levels.

EBITDA – YoY basis



FCF



2009 key initiatives

■ Unit : US\$ million

- In light of the continued economic downturn in 2009, we have selected the following 3 strategic initiatives to counter the potential hardship.

1 Restructuring & Downsizing

- US\$136mn impact on EBIT expecting following restructuring and downsizing efforts
 - Biz structure improvement : +US\$27.3mn
 - Labor force restructuring : +US\$44.1mn
 - Other cost reduction : +US\$27.6mn
 - Decline in discount sales : +US\$43mn

2 Working Capital Improvement

- Lower inventory and improved account receivables by implementing “build to order” model

	2007	2008	2009
Sales	2,881	2,677	2,545
Account Receivable	491	344	391
Inventory	394	459	303
Account Payable	274	174	295
Net Working Capital	611	629	399
DSO (Days of Sales Outstanding)	66.3일	90.6일	58.6일

3 Synergy

- Maximizing synergies by integrating functions between DI and DII
 - Create synergies in sales/marketing channel/dealer management
 - Strengthen DII’s mini excavator line-up with DI products
 - Maximizing sales and profits from the component market
 - Cost down strategy via sourcing management integration

Plans to improve profit structure

Unit : US\$ million

Details

EBIT Impact

Improvement in business structure	<ul style="list-style-type: none"> • Attachments to be consolidated into Bobcat BU <ul style="list-style-type: none"> - Integration/consolidation of production units - Integration of inefficient facilities • Integrating the Sales / marketing / product support functions in Europe • Selling company owned stores in North America 	27.3
Labor force restructuring	<ul style="list-style-type: none"> • Reduction of salary-base employees and excess production workforce (5,600 persons → 4,800 persons : -800 persons) • DII headquarter restructuring 	44.1
Other cost reduction	<ul style="list-style-type: none"> • Freight cost reduction • Other SG&A expense reduction 	21.6
Increase in net sales	<ul style="list-style-type: none"> • Increase in net sales by changing sales policies and minimizing promotion 	43.0
Total		136.0

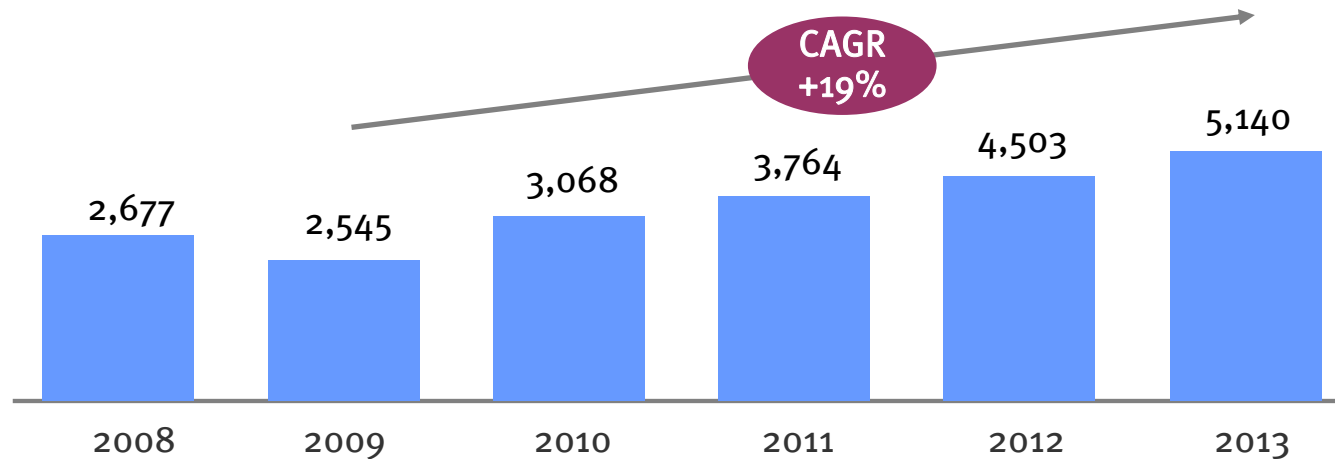
• In the end, more than 2% reduction in the COGS/sales and 2% of SG&A/sales ratios anticipated

Long-term sales and EBIT projection

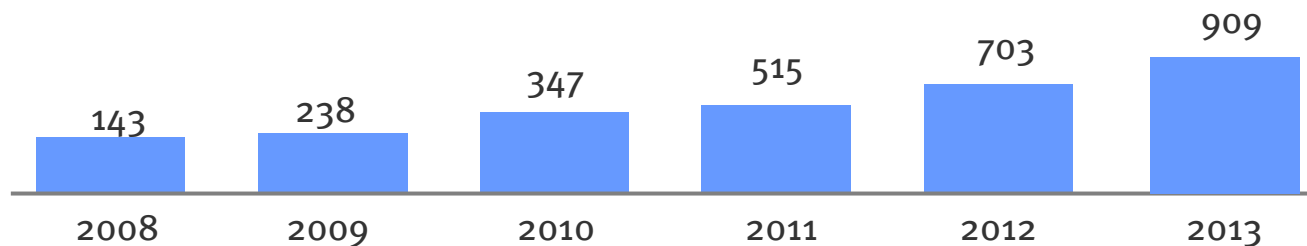
Unit : US\$ million, %

- We expect full-fledged growth will be possible from 2010 once the market turns around and synergies with Doosan Infracore becomes visible.

Sales



EBITDA



Contents

- 1 2008 Results & Highlights
- 2 2009 & Long-term Outlook
- 3 DII 2008 Results & Long-term Outlook
- 4 DII Debt Covenant

Expected equity cure due to DI's debt covenant

Unit : US\$ million

Financial Covenants

- Debt : EBITDA ratio
= Below 7 times
- EBITDA : Net Interest
= More than 1.5 : 1

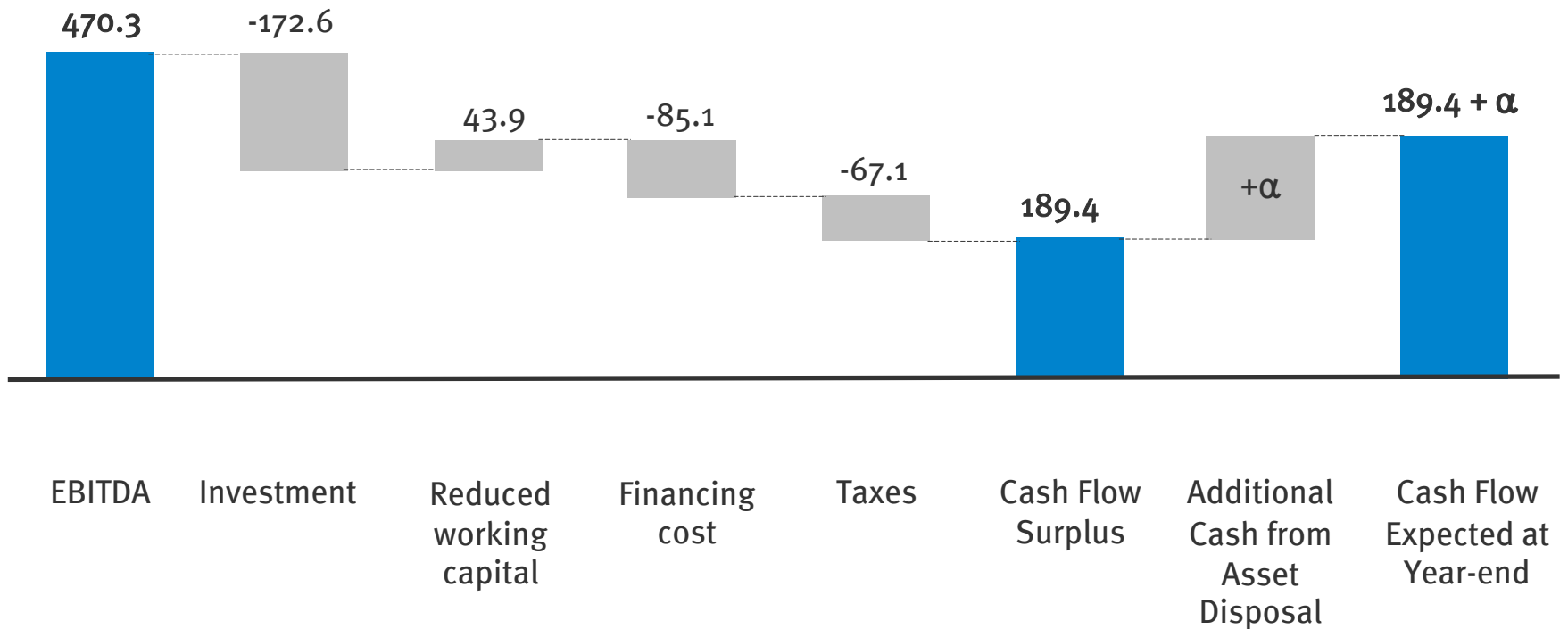
2008 EBITDA & DI's expected burden

	Amount
a) EBITDA	\$143M
b) DI & DE capital injection	\$180M
<hr/>	
Estimated EBITDA (According to contract)	\$323M
EBITDA to satisfy the debt covenant	\$416M
Additional equity cure in 2008	\$93M
<u>DI's burden (52%)</u>	<u>\$48M</u>

DI's equity cure in 2009

Unit : KRW billion, %

- Cash flow surplus from EBITDA after investment and financing cost in 2009 is estimated to reach KRW189.4 billion, which is more than enough to cover the equity cure.

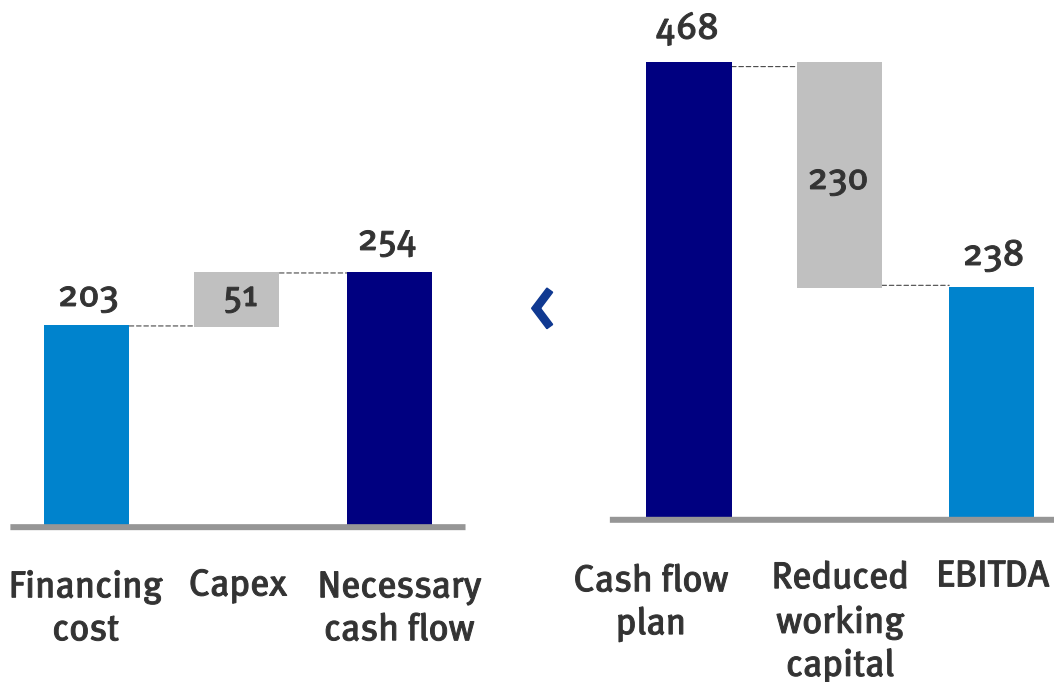


DII's 2009 Cash Flow

Unit : US\$ million

- 1 EBITDA > Financing cost
- 2 More than US\$200 million in cash surplus after capex

DII's cash flow surplus



Implication

- DII will create cash of US\$200 million from operating activities and secure additional cash from the equity cure.
- Cash injection from the equity cure will remain internally at DII as retained cash.

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