



Doosan Infracore

DOOSAN INFRACORE

2009 2nd Investor Meeting

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DII 1Q09 Results & Outlook

2009 1Q results *

Unit : KRW billion, %

- Earnings turned around after hitting the trough in 4Qo8 despite the continued global economic slowdown
- Sales improved 14.6% QoQ, while EBIT turned to the black compared to the previous quarter

	1Qo8	4Qo8	1Qo9	QoQ	YoY
Sales	951.2	568.5	651.6	+14.6%	-31.5%
EBIT	136.4	-35.6	44.1	TB	-67.7%
EBIT Margin (%)	14.3%	-6.3%	6.8%	+13.1%p	-7.5%p
EBITDA	152.6	-18.6	66.0	TB	-56.7%
(Financial Cost)	15.9	25.3	31.3	+6.0	+15.4
(Equity Method)	1.0	-343.5	-220.3	CR	TR
Pretax Profit	93.3	-179.7	-127.2	CR	TR

* Excluded defense division sales and EBIT for apple-to-apple comparison

2009 1Q divisional sales & EBIT *

Unit : KRW billion, %

- Although the market downturn persisted, 1Q results rebounded relative to 4Q largely due to the strong performance of the construction equipment divisions (+70.3% QoQ)
- Machine tools division reported an operating loss due to severely weak demand in 1Q, but it expects to see earnings improvement through market share gains in the future

Sales

		QoQ	YoY
Construction Equipment	328.5	+70.3%	-25.4%
Machine Tools	107.0	-35.0%	-54.5%
Engines	90.8	-8.2%	-13.0%
Others	125.2	+11.8%	-26.7%
Total	651.6	+14.6%	-31.5%

EBIT

		QoQ	YoY
Construction Equipment	44.2 (13.5%)	TB	-37.2%
Machine Tools	-12.8 (-12.0%)	TR	TR
Engines	8.0 (8.8%)	TB	-48.9%
Others	4.7 (3.8%)	TB	-69.5%
Total	44.1 (6.8%)	TB	-67.7%

* Excluded defense division sales and EBIT for apple-to-apple comparison

2009 1Q regional sales *

■ Unit : KRW billion, %

1Q09 sales

Highlights

		QoQ	YoY	
China	266.5	+70.2%	33.1%	<ul style="list-style-type: none"> Construction equipment and industrial vehicle sales in China surged by more than 100% QoQ Full-fledged impact from China's economic stimulus measures to be more visible from May
Korea	172.8	-5.8%	-33.7%	<ul style="list-style-type: none"> Construction equipment sales improved substantially by 67% QoQ thanks to replacement demand in the aftermath of strong second-hand exports and new demand related to infrastructure projects lined-up in Korea Meanwhile, machine tools and engine sales fell 48% QoQ and 25% QoQ due to shrinking facility investment trends worldwide
Europe	104.2	-28.8%	-57.6%	<ul style="list-style-type: none"> As Europe's market downturn continued in full swing, all divisions except the engine business reported negative growths Engine division grew 30% QoQ as a result of efforts to enhance the dealer network and increase its market share for captive customers
Americas	96.1	+5.0%	-16.8%	<ul style="list-style-type: none"> Construction equipment sales rose 29% QoQ as synergies with DII resulted in market share expansion in North America
Emerging Markets	12.0	+227.6%	-90.8%	<ul style="list-style-type: none"> Emerging markets such as Middle East and Africa trended down YoY as a result of falling raw material prices and the impact from the financial crisis. However, emerging markets are quickly turning around on QoQ comparison

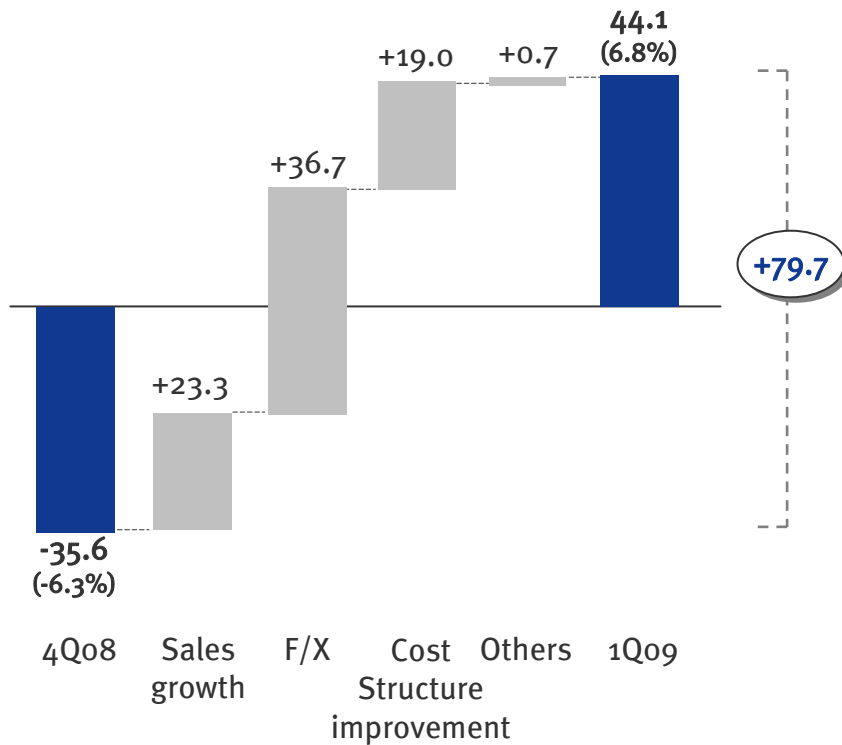
* Excluded defense division sales and EBIT for apple-to-apple comparison

2009 1Q EBIT analysis *

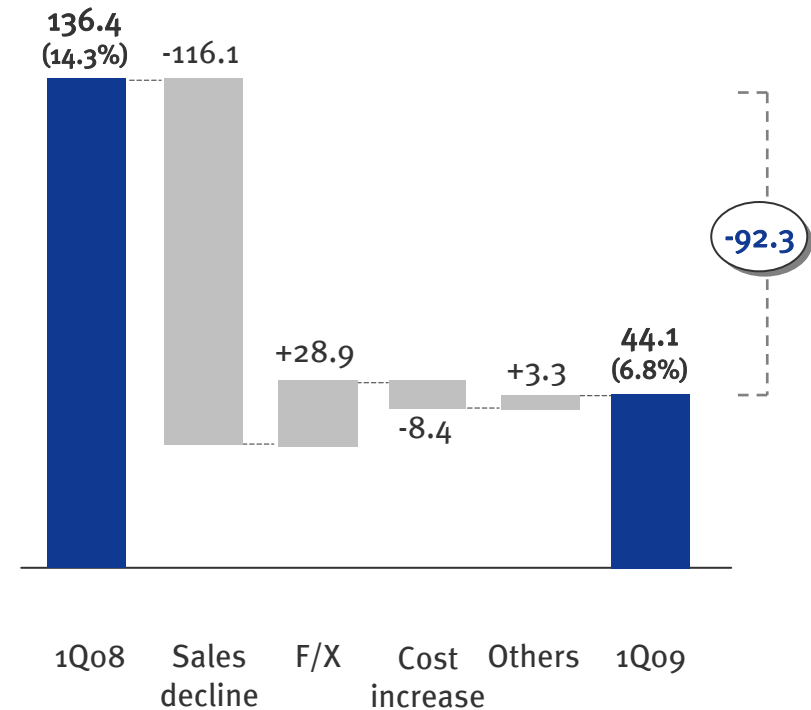
Unit : KRW billion, %

- Still weaker than 1Qo8, but EBIT turned black to KRW44.1 billion thanks to better product mix and improved cost structure

QoQ Comparison



YoY Comparison



* Excluded defense division sales and EBIT for apple-to-apple comparison

2009 1Q financials

Unit : KRW billion, %

- Total assets increased KRW612.1 billion due to greater derivative assets, while total liabilities climbed KRW724.1 billion backed by greater foreign currency debt and derivative liabilities.

	07	08	1Q09
Current Assets	1,288.4	1,995.8	2,598.2
Fixed Assets	1,918.9	2,929.8	2,939.5
Total Assets	3,207.3	4,925.6	5,537.7
Total Liabilities	2,098.0	3,379.9	4,104.0
- Net Debt	994.5	1,506.4	2,271.1
Total Shareholders' Equity	1,109.3	1,545.7	1,433.8
Liabilities/Equity Ratio	189.1%	218.7%	286.2%
(exclusive of currency impact)	-	-	233.0%

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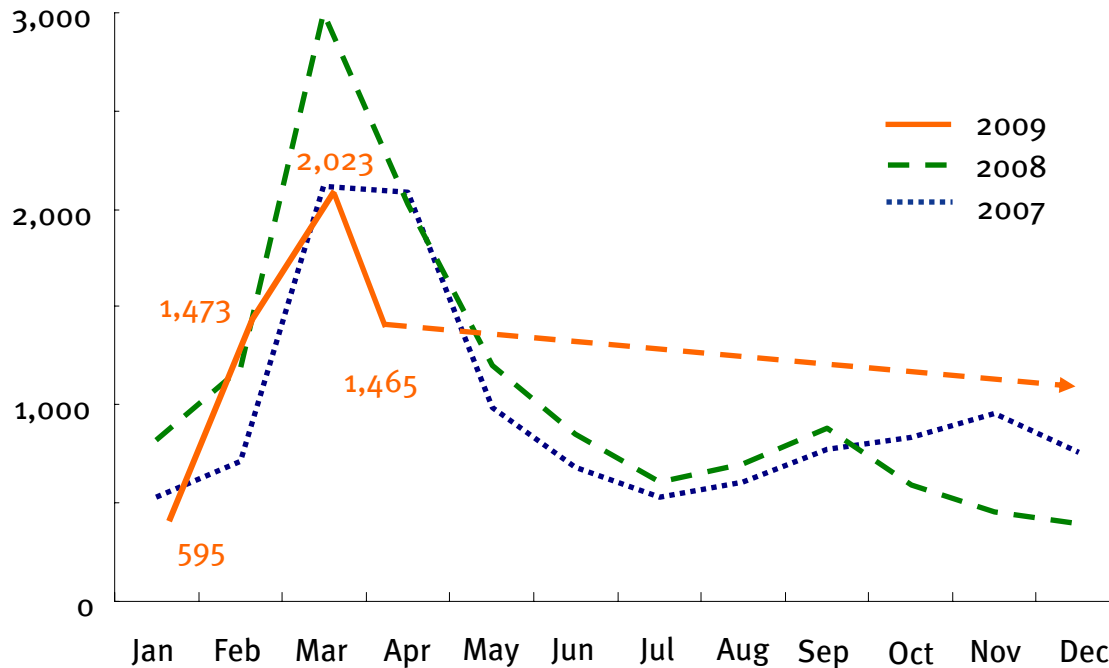
DII 1Q09 Results & Outlook

1-1 Construction equipment :China excavator sales to turnaround

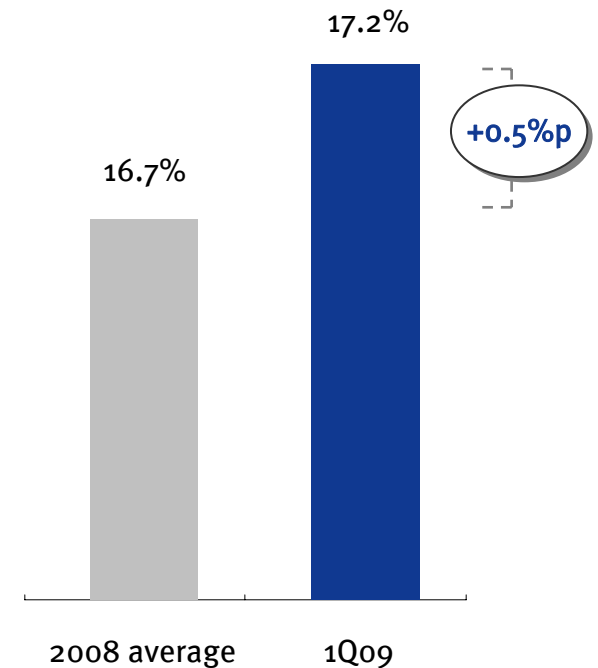
Unit : units, %

- Since sizable injection of funds for China's economic stimulus package at slated for 2H, excavator sales volume are projected to grow 3.3% to 12,500 units
- Doosan Infracore remains the market leader in China with market share in 1Q09 improving 0.5%p to 17.2%

Excavator sales forecast for 2009



Market share in 1Q09

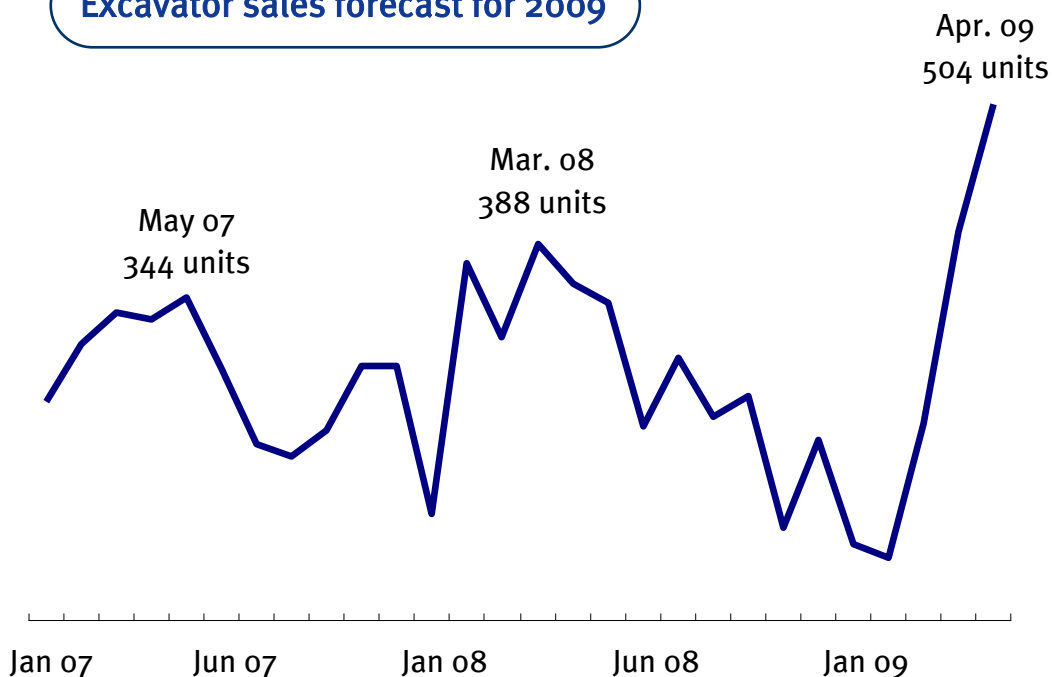


1-2 Construction equipment: Korea entering growth phase

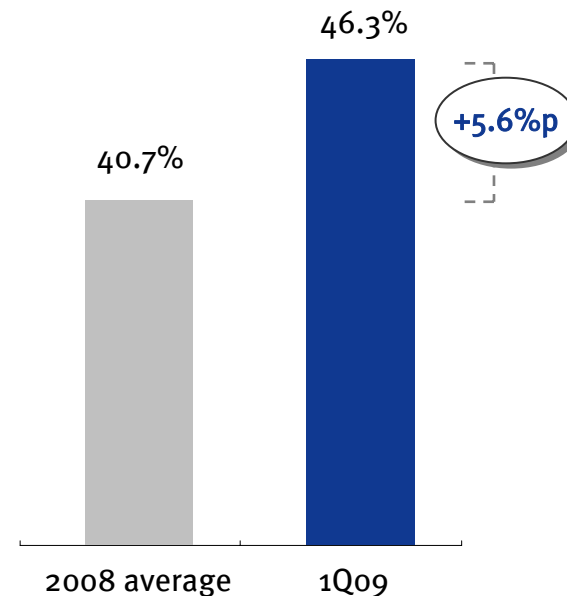
Unit : units, %

- Thanks to replacement demand due to currency depreciation and resultant surge in exports of secondhand equipments, construction equipment sales in Korea reached historic levels since the Asian financial crisis. Also, demand should continue to grow especially for larger sized equipments, as a beneficiary of the development projects for Korea's main 4 river vicinities
- Doosan Infracore remains the leading player in Korea with market share of 46.3%

Excavator sales forecast for 2009



Market share in 1Q09 *



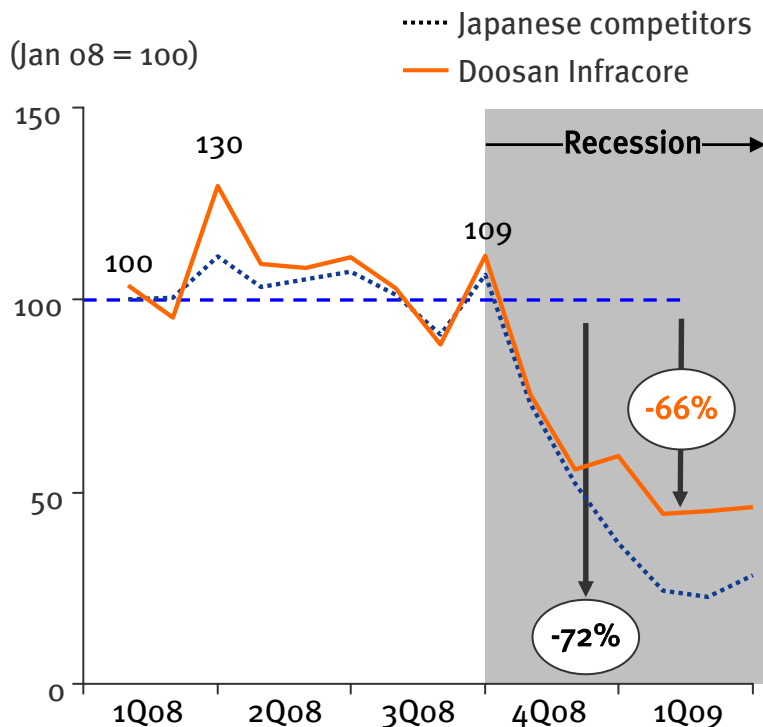
* Market share for excavators above 5 tons

2 Machine tools: Market share expansion relative to peers

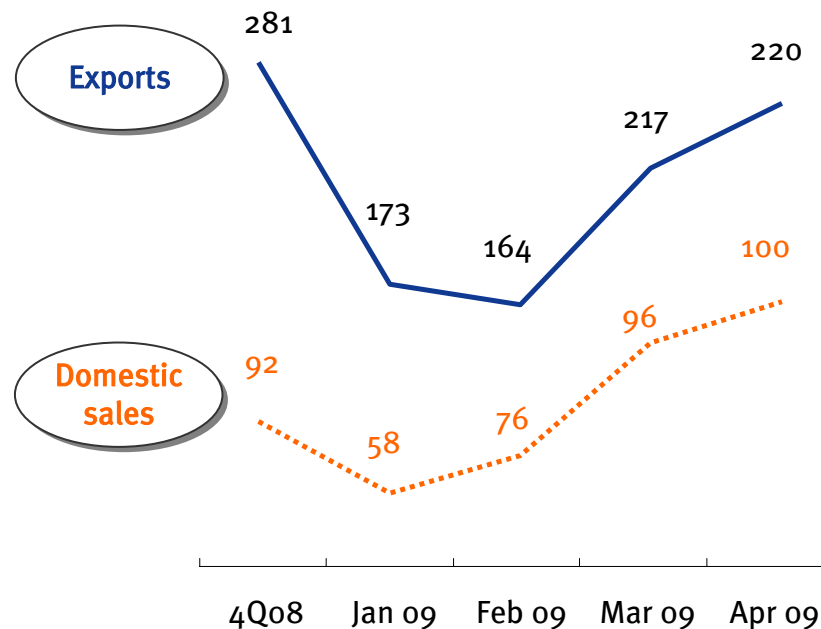
Unit : units, %

- Although machine tools demand fell substantially following the worldwide recession, Doosan Infracore was able to gain market share compared to its key competitors.
- Sales volume dropped nearly 70% QoQ, but monthly exports and domestic orders are showing visible signs of recovery.

Global order trend



Monthly average order trend at DI

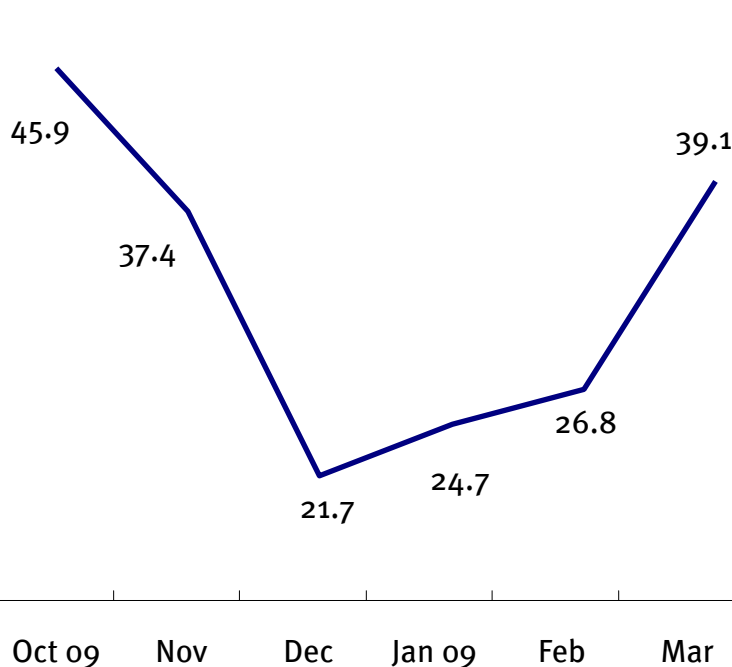


3 Engine: Stable growth via firm export trend

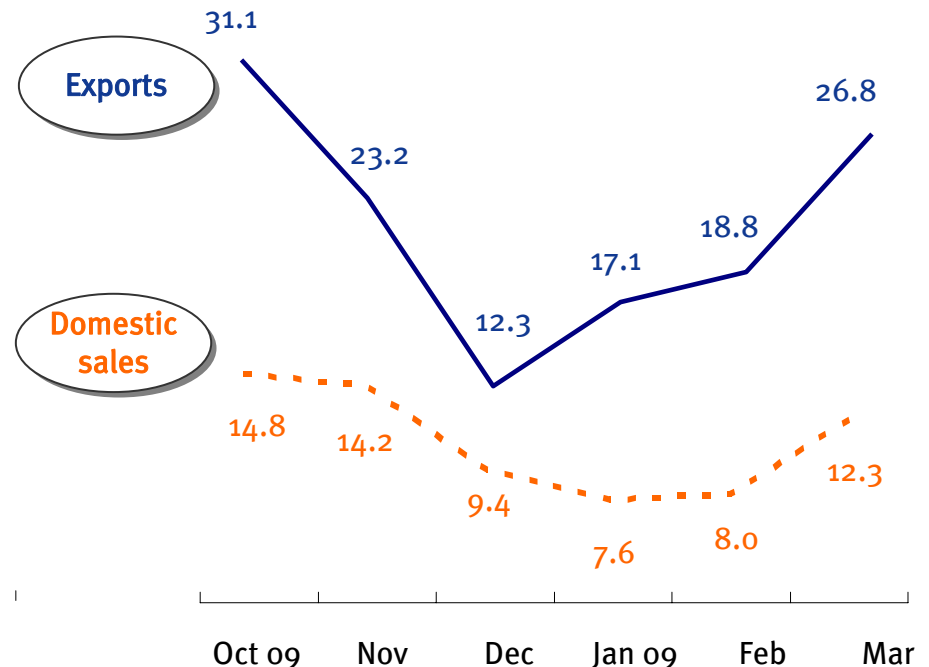
Unit : KRW billion

- Generator engine exports to US and Europe offset the weak demand in markets such as Korea and China and has led to sales and order growth on a month-on-month comparison
- Export volume is on the rise thanks to continued development of new and sizable dealerships
 - Development of big accounts : 11 during 2006~2008 and 2 + α in 2009

Engine sales trend



Exports and domestic sales trend



Strategies for the next upturn

- In preparation for the next upturn, Doosan Infracore is pursuing the following measures : improvement of fundamental cost structure, R&D for competitive new and market-leading products, cross-selling with DII, expansion of line-up focusing on high-end products and step-up in synergy creation

Cost structure improvement

- Unified efforts towards operational excellence to maximize the impact from activities such as DTC, PSM and Lean
 - Task force formed for ‘Doosan Operation Excellence’
- Efforts to lower fixed costs by improving the fundamental cost structure

Market Leading R&D

- Through analysis of the market’s megatrends and the customers’ needs, we have established the product concept and strategy for technology development
 - 5 stage-4 gate system established for systematic product planning and task management
- Hybrid excavator prototype developed to provide distinct customer value via eco technology

Expansion of product line-up synergies

- Construction equipment BG: expanding product line-up worldwide via cross-selling with DII
 - Stronger line-up for wheel loaders in China, sales of Moxy’s ADT products in Korea
- Machine tools BG: developing 4 machining centers and 5 turning centers to strengthen its high-end product line-up and adding new products such as double column machining centers, electric discharge machines and Swiss turns
- Engine BG: Provided 100% of Daewoo Bus’ needs with the successful development of euro-4 engines and should secure additional captive customers and increase CNG engine sales to North America in light of the development of medium to large sized tier-4 engines

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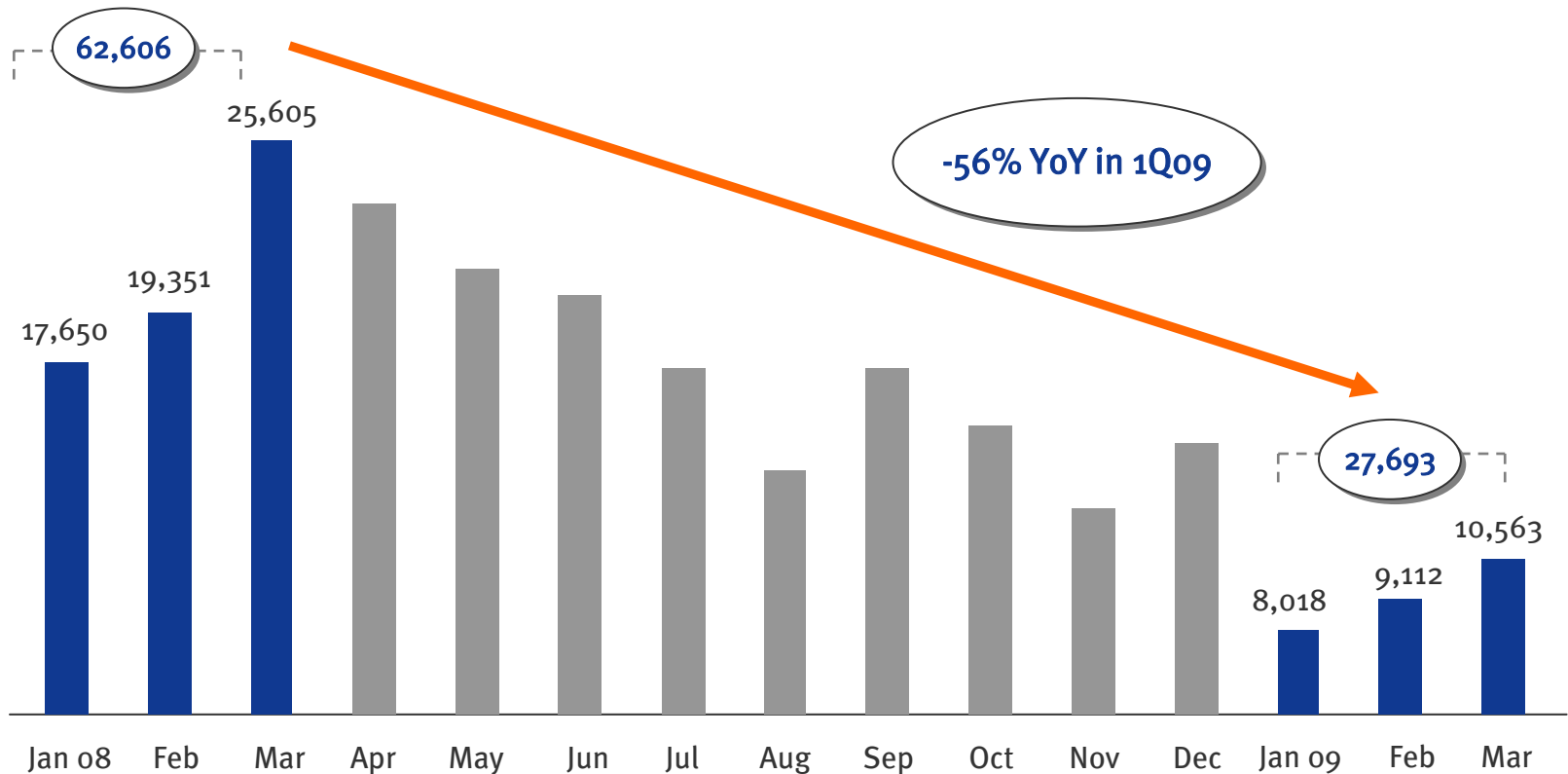
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Global compact equipment market still on a downturn

Unit : US\$ million

- Overall global compact equipment market declined sharply by 56% YoY
 - Market contracted by 54% in North America, 61% in EMEA and 43% in Asia
- Despite the market weakness, we are seeing signs of gradual recovery during Jan. ~ Mar. 2009



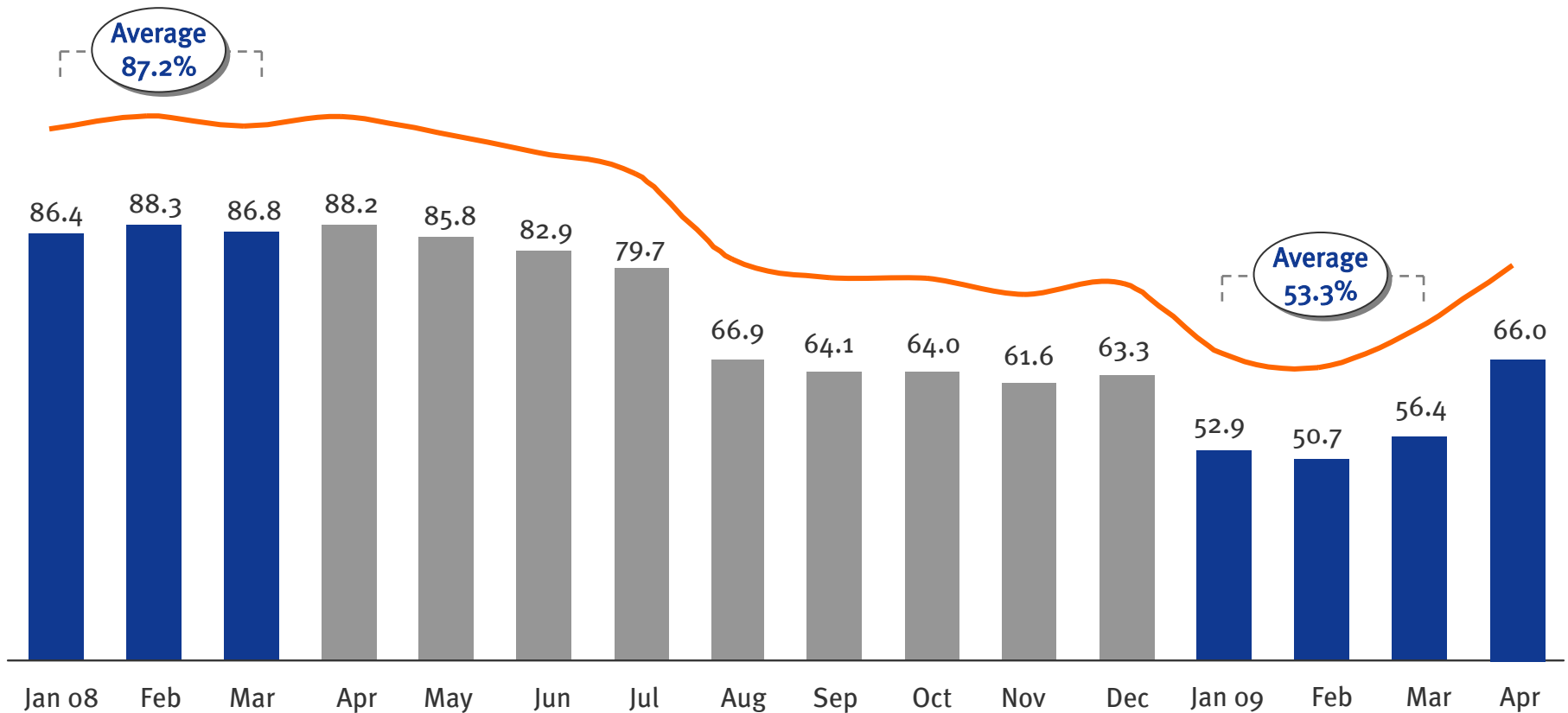
* Source: AEM (Association of Equipment Manufacturers)

** Compact Equipment = Skid Steer Loader + Compact Track Loader + Mini Excavator

Sales decline also linked to decline in financial approval rate

Unit : %

- Further decline in the financial approval rate for equipment financial during 1Q09 was another reason behind the weaker sales trend
- On a positive note, financial approval rates are showing signs of improvement starting from March



2009 1Q results

Unit : US\$ million, %

- Sales declined compared to a year ago due to market contraction in key markets and efforts to lower its inventory at the dealer level during 1Q
- Despite the deep correction, restructuring measures and other cost saving activities limited to erosion of profitability
- Free cash flow turned positive thanks to remarkable improvement in working capital management

	1Q08	4Q08	1Q09	QoQ	YoY
Sales	738.5	550.2	265.6	-51.7%	-64.0%
EBIT	57.7	-88.1	-111.3	-23.2	-169.0
EBITDA	84.2	-45.3	-81.6	-36.3	-165.8
Pretax Profit	24.7	-160.7	-163.4	-2.7	-188.1
- Financing Cost	57.9	49.8	40.4	-9.4	-17.5
Net Profit	15.6	-159.0	-159.9	-0.9	-175.5
Free Cash Flow	43.4	-52.6	3.4	+56.0	-40.0

2009 1Q regional sales

Unit : US\$ million, %

Sales

		QoQ	YoY
North America	148	-54.3%	-64.6%
EMEA	81	-51.2%	-67.2%
Asia Pacific	26	-8.8%	-44.6%
Latin America	10	-46.2%	-61.5%
Total *	266	-51.6%	-64.0%

Highlights

- North America : Although compact equipment market was further eroded by 54% during 1Q, we anticipate the market to enter recovery phase from 2Q due to the government's economic stimulus measures
- EMEA: Most visible signs of downturn seen during 1Q (SSL -43%, MEX -67%)
- Asia Pacific: Sales decline by merely 9% thanks to synergies with DI
- Latin America: Sales decline due to the impact from falling raw material prices and financial crisis in the region (Brazil's construction equipment market shrank 42% YoY)

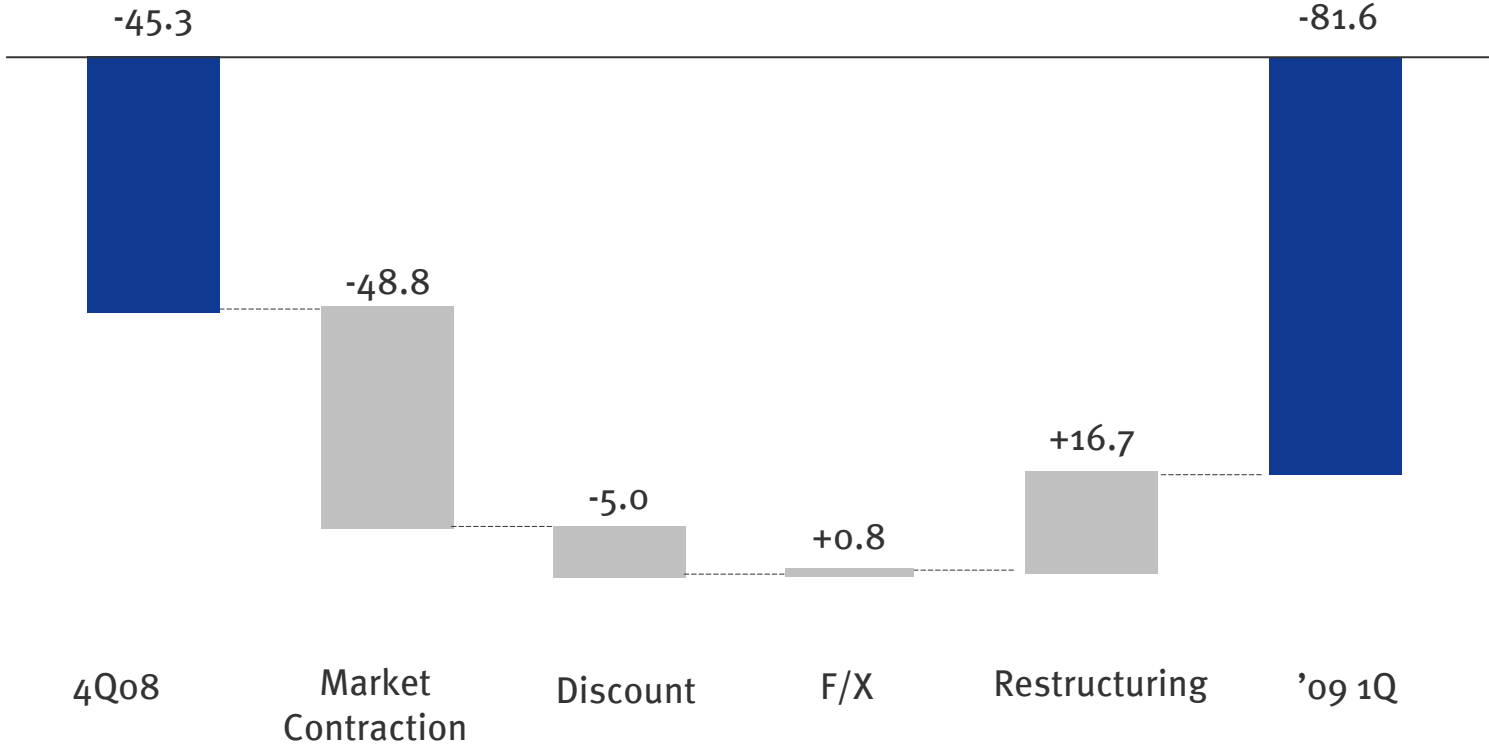
* Reduced sales of US\$43 due to inventory management Sales reduction

2009 1Q EBITDA analysis

Unit : US\$ million, %

- Sharp decline in EBITDA during 1Q was mainly due to the steep market downturn and efforts to reduce inventory at the dealer level
- Restructuring efforts, however, have shown remarkable achievements to limit the profit erosion

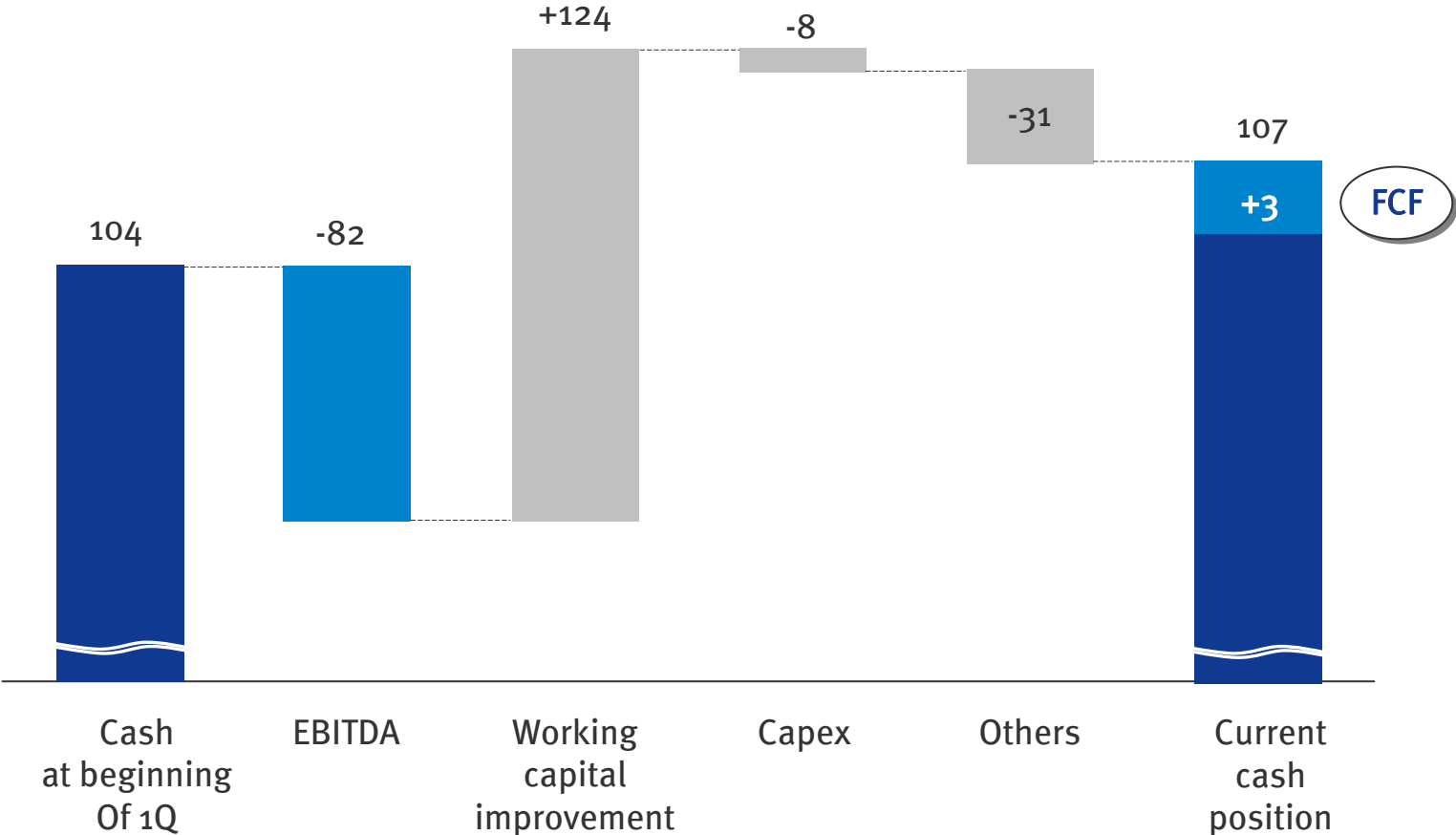
QoQ analysis



Positive free cash flow attained

Unit : US\$ million

• Despite the EBITDA wading in the red, DII achieved positive free cash flow as a result of working capital improvement



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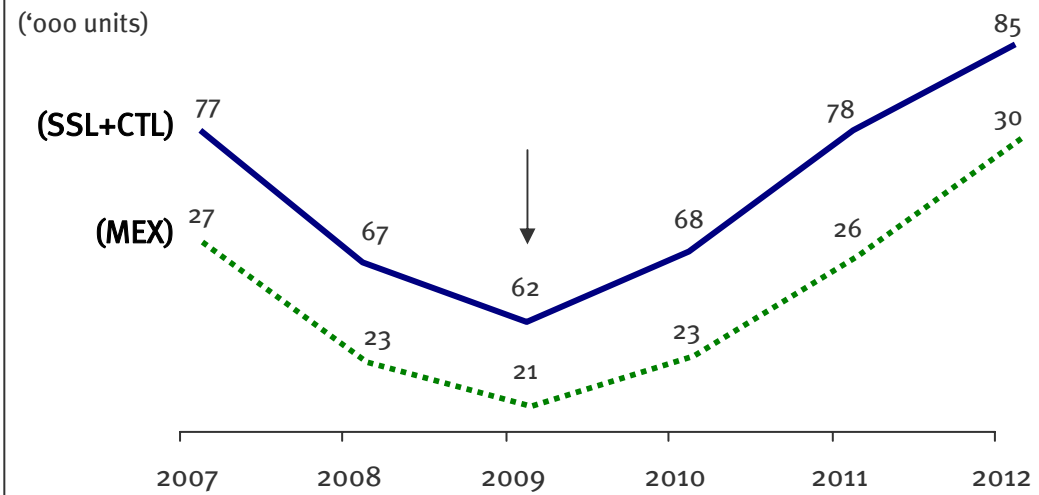
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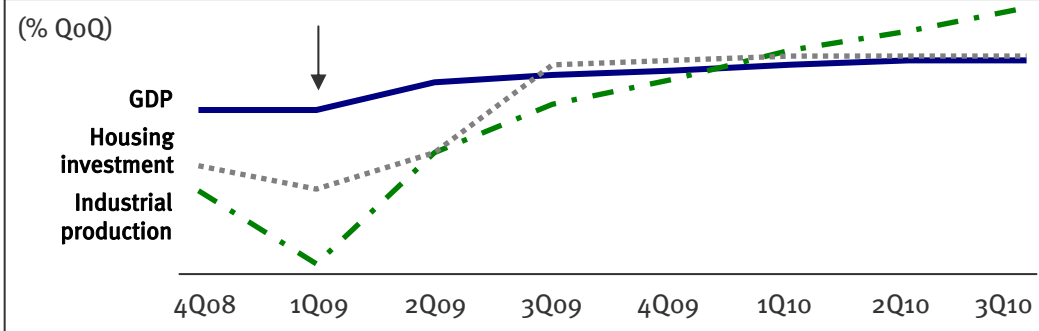
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Market outlook : Full-fledged recovery from 2H09

Market Size (North America) - Yengst forecast *



US Forecast - JP Morgan



- US economy expecting to hit the trough in 1Q and rebound from 2Q
- Construction industry in North America should start to recover after hitting the bottom in 2009
 - 'Zero' interest rates, emergency bailout plans for the financial sector and economic stimulus package (infrastructure investment and tax benefits for housing purchase)
 - Demand for construction equipments tend to surge right before the economy starts to recovery as demand from rental companies begin to rise and dealers have already lowered inventory to low levels

Source : Yengst; Off-highway, DII internal

* SSL(SKID STEER LOADER), CTL(COMPACT TRACK LOADER), MEX(Mini-Excavator)

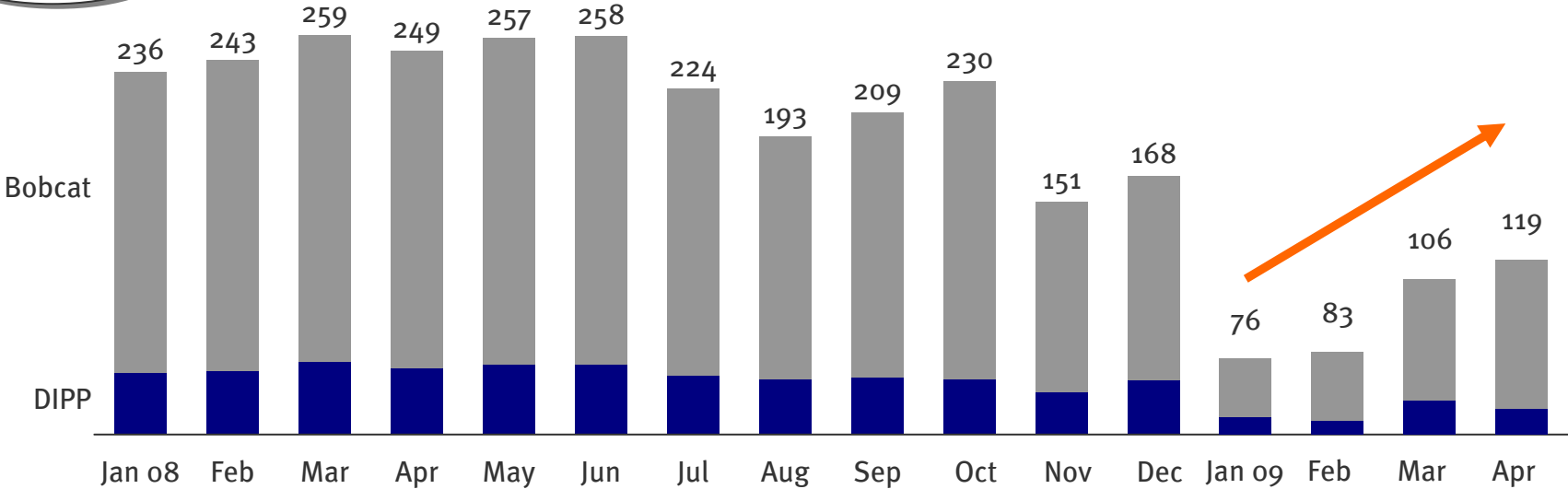
Sales breakdown of ket products : SSL 31%, CTL 12%, MEX 12%, TLS 7%

Swift recovery on monthly basis after January

Unit : US\$ million

• Bottoming out from January 2009 for sales and December 2008 for EBIT

Revenue



Fully visible results from restructuring measures

■ Unit : US\$ million

- Positive results from restructuring measures (already visible in 1Q) should significantly improve from 2Q

	Restructuring measures	Financial Impact	
		1Q	'09 forecast
Business restructuring	• Attachment business restructuring	5.3	27
	– Integrated into Bobcat operation		
	– Consolidation or shutdown of production sites		
	• Sell-off of company owned stores	21	40
	• Reduction in transportation and other expenses	2.1	18
Workforce restructuring	• 16% (or by 900) reduction in workforce	9.3	47
	– 5,800 employees in '08 → 4,900 employees in 1Q09		
	– Includes US\$8.4mn in one-time restructuring costs		
Working capital improvement	• Dropped US\$121mn relative to end-08	121	250
	– US\$627mn at end-08 → US\$506mn at end-1Q09		

Capturing synergy at an accelerated pace

■ Unit : US\$ million

Annual impact for DI+DII

Synergy	Key results and description	Sales	EBIT
Brand/ Channel (Cross-selling)	<ul style="list-style-type: none"> Consolidating dealers & developing new dealers jointly in white territories (NA, EMEA, Emerging markets) Creating financial values through cross-selling <ul style="list-style-type: none"> NA: 4 Bobcat dealers starting to sell DI Med/ Heavy EMEA: Shared distribution (4 dealers & Company Owned Store) 	41	4
Global sourcing	<ul style="list-style-type: none"> Secure \$ 40 million of DI & DII combined saving potential for '09 Establish global sourcing organization with recently hired Global CPO (Chief Purchasing Officer) Realized \$8 million saving ('08: \$6.4M, '09: \$1.6M) 	N/A	40
Mini excavator global leadership	<ul style="list-style-type: none"> MEX global leadership through brand/ channel synergy Selling Bobcat's China-type MEX thru DICC channel <ul style="list-style-type: none"> Launch in March '09 and selling from April (Target: 600 units) 	80	19
New business growth	<ul style="list-style-type: none"> Install Bobcat attachment on Doosan excavator Montabert's advance into China breaker business <ul style="list-style-type: none"> Developing China breaker & Selling through DI China channel To launch in July '09 (Target: 630 units) 	11	1

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