Doosan Infracore

Doosan Infracore

2008 4th Investor Meeting

November 2008

Contents

Disclaimer

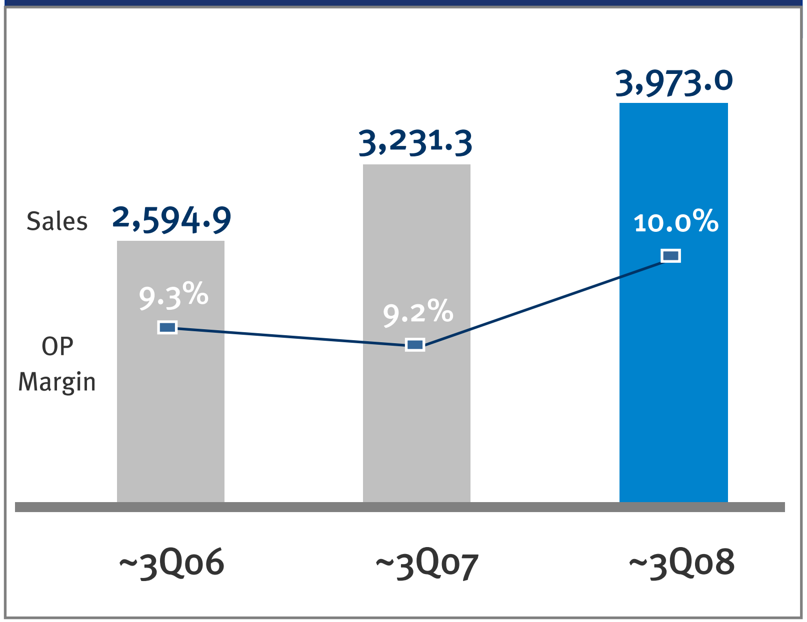
The financial numbers and statements included in the following presentation and related comments by management represent statements made before the external review by independent public accountants for 3Q08 financial results release, and are presented here today solely for the purpose of offering investors an understanding of the company.

Statements on 2008 outlook and long-term business plan represent our current judgment on what the future may hold, and while we believe these judgments are reasonable, actual results may differ materially due to numerous external and internal factors.

Cumulative 3Q08 performance

Unit : KRW billion, %

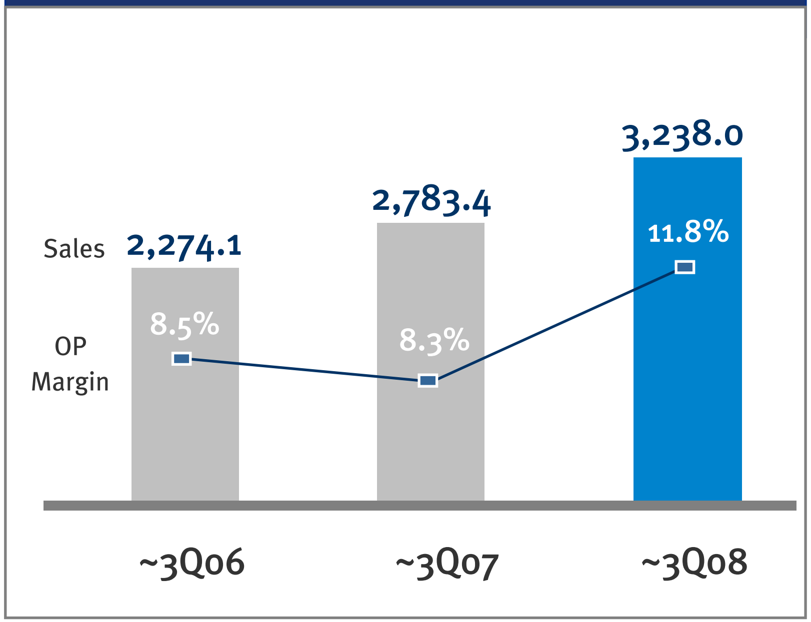
Consolidated Basis



	~3Q06	~3Q07	~3Q08	YoY
Sales	2,594.9	3,231.3	3,973.0	23.0%
Operating Profit	241.1	297.3	398.9	34.2%
Recurring Profit	180.0	292.6	106.8	-63.5%

* DII sales are reflected as equity method gains/losses at the parent level but will not be included in consolidated results during 2008

Parent Basis



	~3Q06	~3Q07	~3Q08	YoY
Sales	2,274.1	2,783.4	3,238.0	16.3%
Operating Profit	194.1	232.4	381.6	64.2%
Recurring Profit	169.0	268.9	94.7	-64.8%

Cumulative 3Q08 divisional sales & EBIT (Consolidated)

Unit : KRW billion, %

- Cumulative 3Q results surpassed our expectations thanks to the engine and others divisions

Sales

	Sales	Relative to target	YoY
Construction Equipment	1,785.6	99.8%	30.8%
Machine Tools	820.1	93.4%	7.3%
Engines	464.7	112.5%	19.6%
Others	902.6	105.2%	26.5%
Total	3,973.0	100.9%	23.0%

EBIT

	EBIT	Relative to target	YoY
Construction Equipment	163.6	87.2%	29.7%
Machine Tools	100.6	82.7%	-5.3%
Engines	49.5	233.5%	169.9%
Others	85.2	144.2%	82.6%
Total	398.9	102.4%	34.1%

* DII sales are reflected as equity method gains/losses at the parent level but will not be included in consolidated results during 2008
* Engine sales include internal sales transaction

Cumulative 3Q08 regional sales (Consolidated)

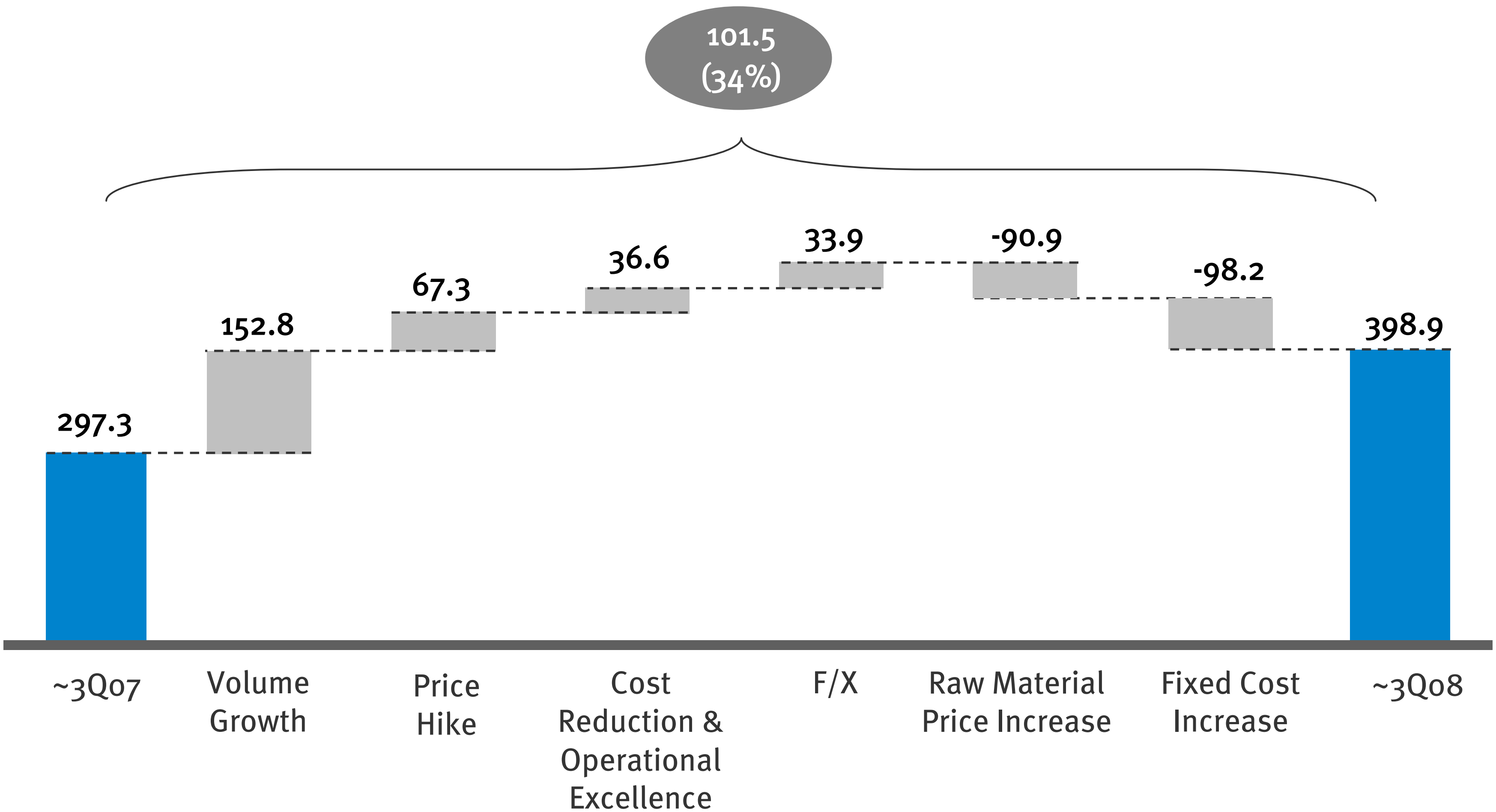
Unit : KRW billion, %

Cumulative 3Q08 sales		YoY	Highlights
Korea	1,200.4	17.7%	• All divisions are showing steady sales growth. In particular, the construction equipment and machine tools units reported sales growths of 16~17% on the back of replacement demand for excavators and machine tools demand from related industries to shipbuilding, machineries and petrochemical.
US	355.8	0.6%	• Despite the sluggish economy and credit crisis, generator engines and high-end machine tools contributed towards stable sales growth and minimized the negative impact from the market contraction.
Europe	671.6	1.0%	• With the accelerated pace of market downturn, sales from the construction equipment and machine tools divisions started to decline. Nonetheless, sales growth remained on the positive territory thanks to the double-digit growths reported by the engine and industrial vehicle divisions.
China	1,052.2	50.2%	• The construction equipment and engine BGs surged by more than 50% YoY following the sustained infrastructure investment/natural resource development trend and electricity shortage.
Emerging Markets	692.9	40.8%	• Emerging markets such as CIS, Latin America and Asia contributed towards the continued sales growths from the region.
Total	3,973.0	23.0%	

Cumulative 3Q 2008 EBIT waterfall chart

Unit : KRW billion, %

• Remarkable improvement in profitability thanks to volume growth, price hike and cost reduction



Financial soundness (Parent)

Unit : KRW billion, %

• Solid financials (incl. interest coverage ratio) despite the US$700mn debt from DII acquisition

	2006	2007	1H08	3Q08
Current Assets	1,245.1	1,288.4	1,470.9	1,692.8
Fixed Assets	1,224.9	1,918.9	2,073.3	2,262.7
Total Assets	2,470.0	3,207.3	3,544.2	3,955.6
Debts *	396.9	1,005.0	1,148.2	1,275.8
Total Liabilities	1,408.6	2,098.0	2,478.7	3,142.4
Total Shareholders' Equity	1,061.4	1,109.3	1,065.5	813.2
Interest Coverage Ratio	9.2X	10.8X	9.5X	7.9X

* Higher debt level was due to won's weakness against US dollar on the dollar debt incurred from the acquisition of DII
(Currency movement : KRW938.2/US$ at end-2007 → KRW1,187.7/US$ at end-3Q08)

Contents

3Q Highlight

1. Synergy from M&As and new orders
2. Growth engine secured from engine BG
3. Sustainable growth from China and emerging markets

1 Synergy from M&As and new orders

- M&As to diversify into related businesses and new orders fuel mid/long-term sales growth

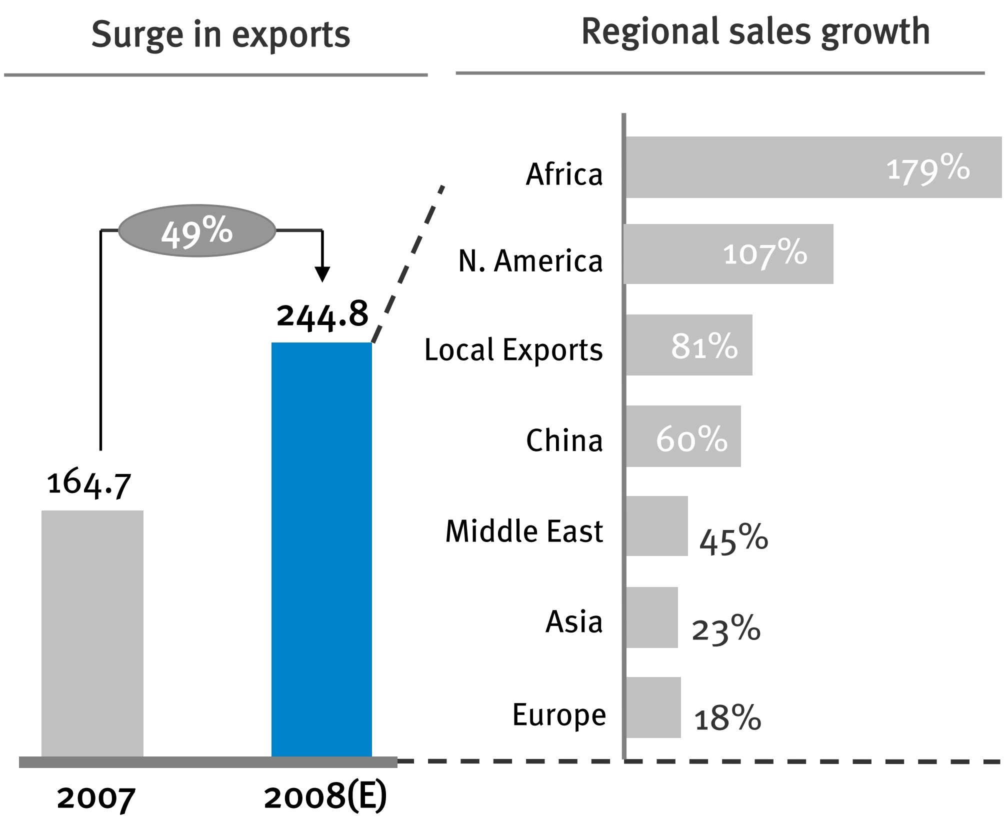
	Detail	Impact
Synergy from M&As	• Acquisition of Moxy of Norway – Secured 23~46-ton articulated dump trucks	• Sales projection of 250mn Euro in 2012 (4.5 times higher than 2007) • Further penetration into construction equipment market and mining equipment market • Enhanced brand image as a comprehensive provider of construction equipments • Joint sales effort possible with Doosan Infracore
	• Acquisition of ATL of Germany – Secured warehouse equipments	• Sales projection of KRW30.1bn in 2013 (3.3 times higher than 2007) • Top-tier level of product line-up • To be utilized as the base camp for Europe's forklift truck market
New orders	• Orders for K21 (next generation armored vehicle) – 1st supply contract : KRW457.8billion until 2010	• KRW1.7 trillion worth of order backlog secured by the defense BG • Average annual sales of KRW750 billion expected during 2009~2013 (Annual average of KRW430 billion during 2004~2008) • Export potential into the Middle East, Southeast Asia and Latin America in view of product quality improvement and price competitiveness

2 Growth engine secured from engine BG

Unit : KRW billion, %

• New growth driver from Engine BG in view of volume growth and export diversification strategy

Export Trend for Engine BG



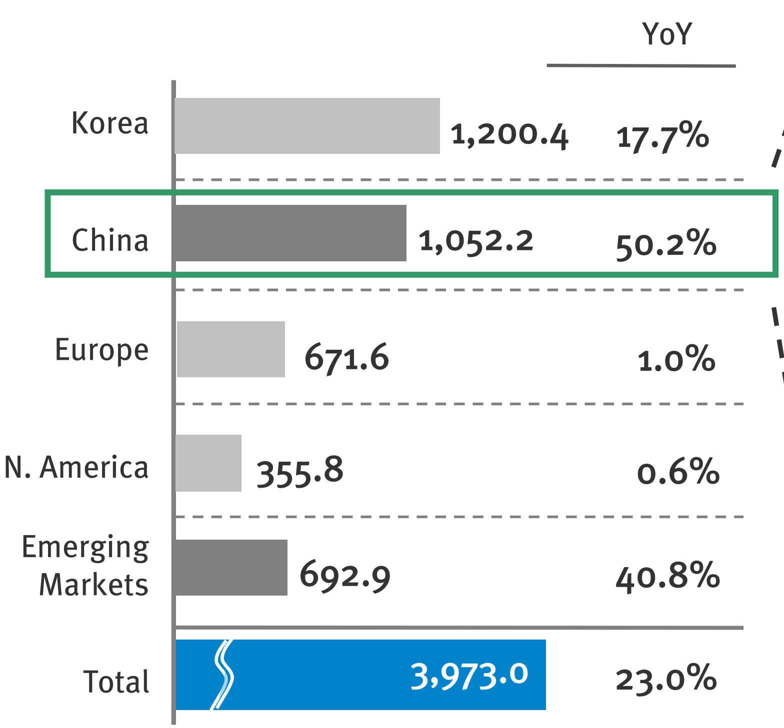
- Visible results from efforts to secure 'Big Account' clients in developed markets
- Excellent performance and quality relative to price for mid/large engines
- Shorter delivery time for China and emerging markets, which have electricity shortage problems
- Gradual improvement in brand image and recognition

3 Sustainable growth from China and emerging markets

Unit : KRW billion, %

- Steady growth in China's excavator market. Also, additional growth stemming from successful implementation of China strategy and full-fledged wheel loader business

Regional Sales



Results & Future Strategy in China

Results

- <u>Increase in 3Q market share</u>
  - Market share increased to 21% since August
  - Particularly, market share improved for the more highly priced mid/large excavators

Strategy

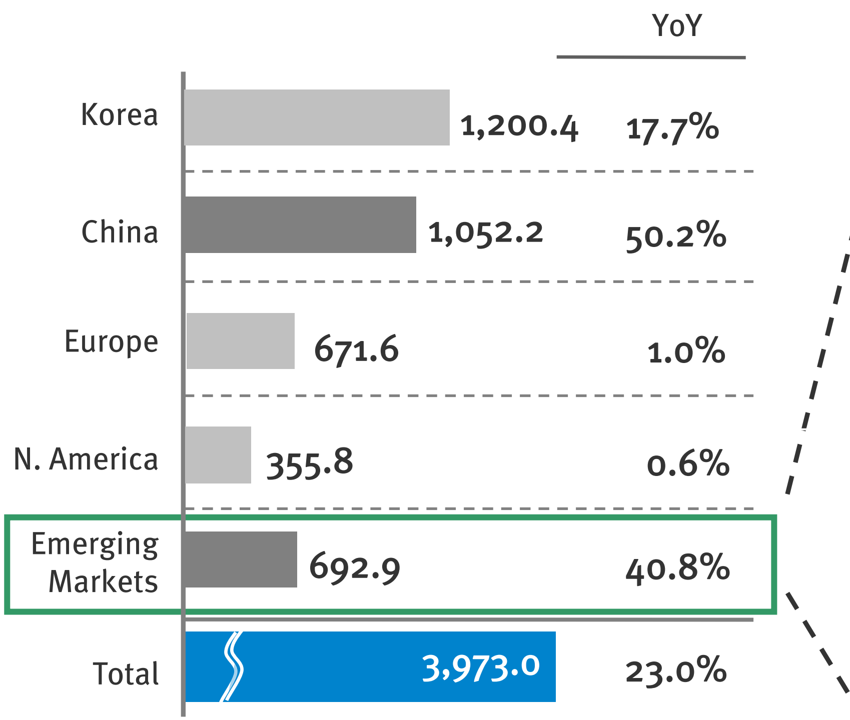
- <u>"#1 in China" strategy</u>
  - Fixed asset investment forecast of +22.4% in '09 (Average of +24% in '01~07 and +25% in '08)
  - Chinese government plans to inject 4tr Yuan (KRW775tr) into 10 key areas such as SOC investment to buoy the economy until 2010
  - M/S target (volume basis) : 19.8% in '08 → 20.8% in '09 → 23.7% in '12
- <u>Wheel loader biz from November</u>
  - Expect to sell 3,000~4,000 units in '09
- <u>Strategy to enhance competitiveness</u>
  - Strategies to enhance competitiveness such as securing stable parts sourcing channel and introducing policies to strengthen dealer capability

3 Sustainable growth from China and emerging markets

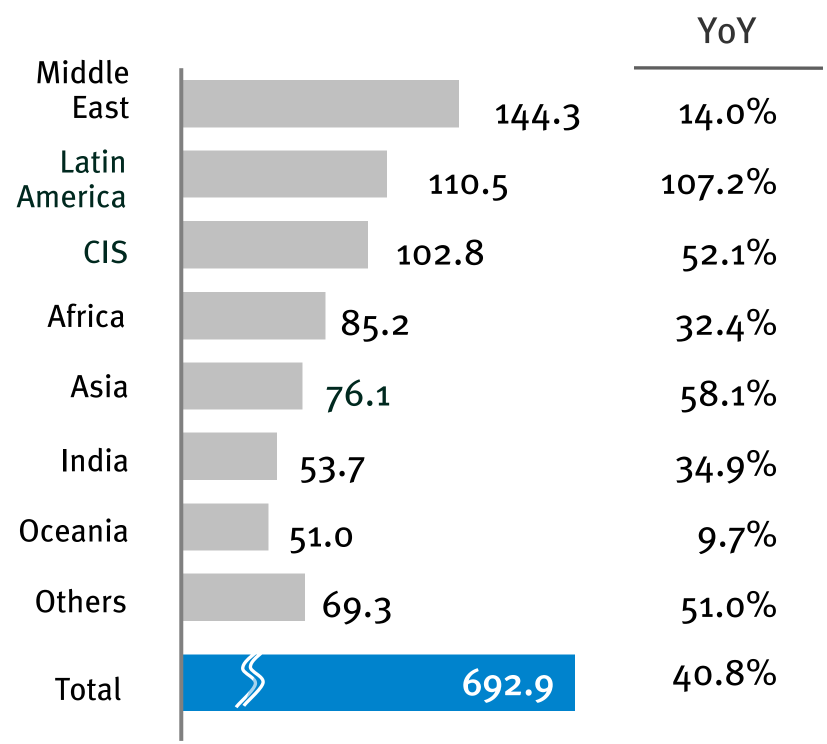
Unit : KRW billion, %

• Emerging markets grew 41% YoY in light of strong growths in Latin America, CIS and Asia

Regional Sales



Key Emerging Markets

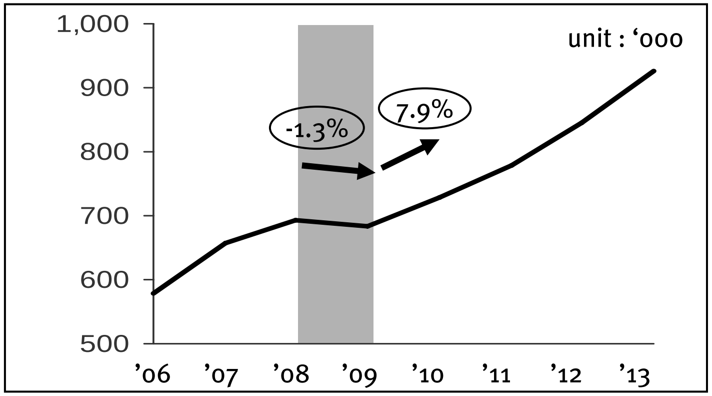


Sustained sales growth in 2009 despite sluggish market conditions

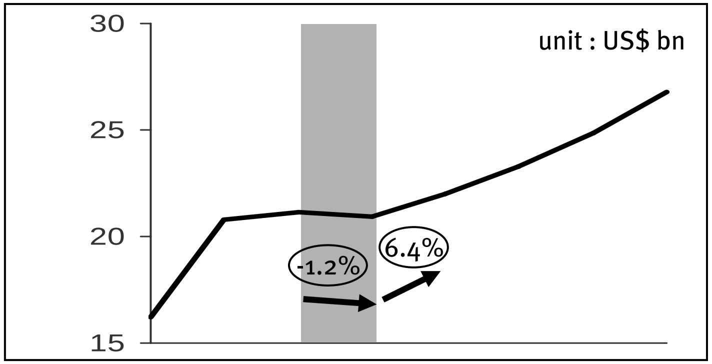
- The global market for the core businesses – construction equipments and machine tools – should contract during '08~'09 but is expected to rebound by 6~7% from '10.
- The construction equipment and machine tools BG should continue to report sales growth in '09 in view of 1) growing sales from China & emerging markets, 2) increased contribution from new biz and 3) market share expansion.

Global Market Outlook

Market Size – Const. Equip.



Market Size – Machine Tools



Sustained sales growth expected in '09

=

Existing Biz

- Sales growth from China and emerging markets
- Global market share expansion

+

New Biz

- Fully operational wheel loader business in China
- Stable articulated dump truck biz from Moxy Engineering
- Stable warehouse equip. biz from ATL
- Synergy between DI & DII

Contents

Cumulative 3Q 2008 performance

Unit : US$ million, %

	~3Q07	~3Q08	YoY
Sales	2,194	2,131	-3.0%
EBITDA	340	191	- 43.8%
(EBITDA Margin)	15.5%	9.0%	-6.5%p
EBITDA *	340	244	-28.2%
(EBITDA Margin)	15.5%	11.5%	-4.0%p

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

	~3Q08
Pretax Profit	-59
[Interest Expenses]	154

Overview

- Despite the 21% market downturn in North America and Western Europe, DII reported a mild sales contraction of 3.0% YoY
- Apple-to-apple EBITDA margin stood at 11.5% (-4.0%p), exclusive of US$53 million PMI related costs

Cumulative 3Q 2008 performance by BU

Unit : US$ million, %

	Sales	YoY	EBITDA	YoY	Apple-to-Apple
Bobcat	1,610	-1.3%	160	-87	-79
DIPP	374	-8.1%	33	-34	-20
Attach	147	-7.0%	1	-24	-21
Total	2,131	-3.0%	191	-149	-96

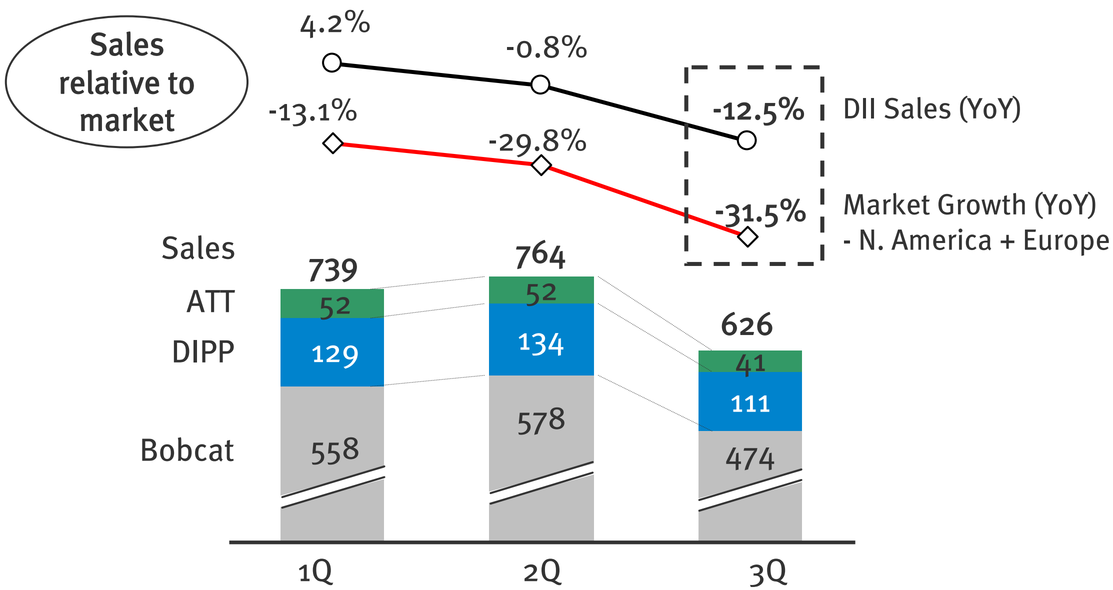
- Despite the rapid deterioration of global market conditions, Bobcat's sales declined marginally thanks to market share gains. However, DIPP and Attachment BUs delivered relatively weak performances.

- EBITDA declined US$149 million compared to last year. However, if we exclude PMI costs, actual EBITDA only fell US$96 million.

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.



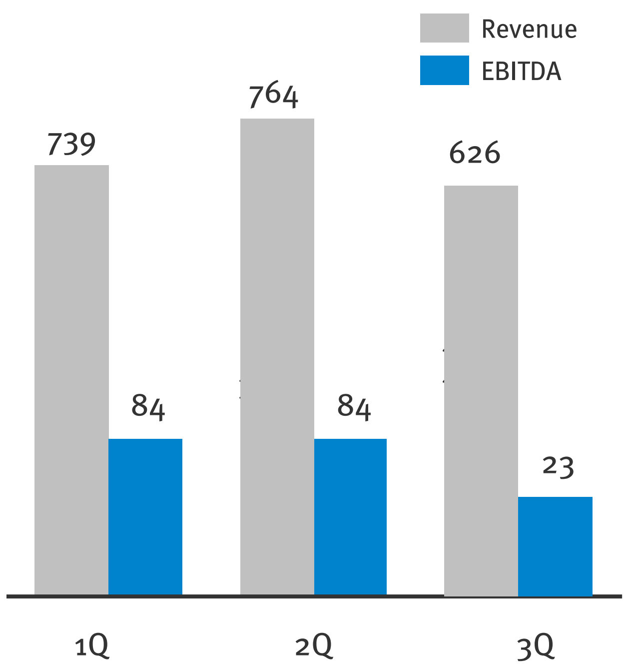
•DII's 3Q sales dropped 12.5% YoY, which far surpassed the market contraction of -31.5% YoY

Quarterly EBITDA trend & analysis

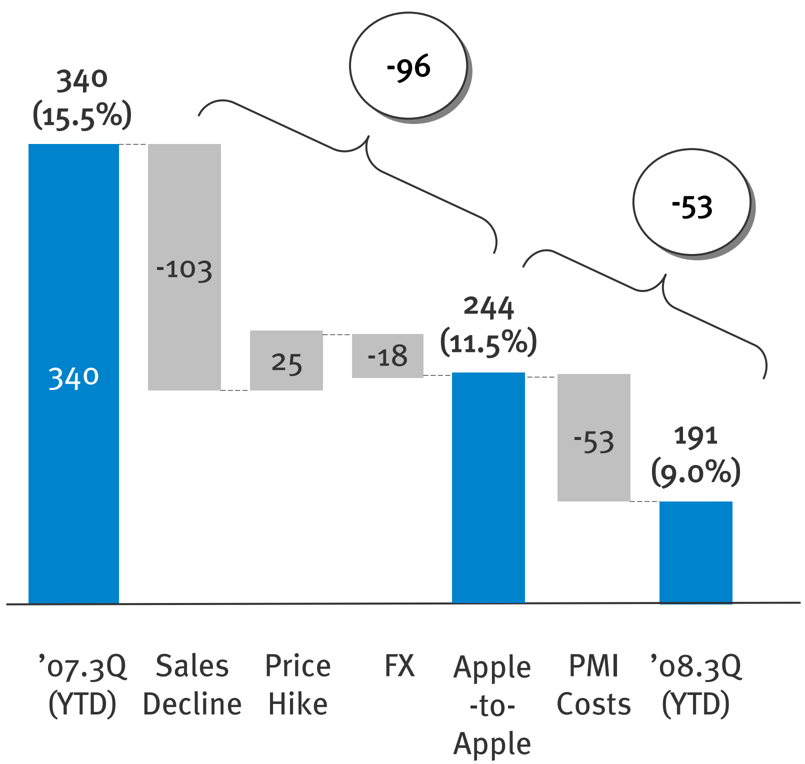
Unit : US$ million, %

- EBITDA declined in 3Q as a result of a decline in sales. DII will continue to reduce fixed cost burden during such sluggish market conditions to significantly improve its profit structure.

Quarterly EBITDA Trend



YoY Comparison



4Q08 and 2008 outlook

Unit : US$ million, %

• DII's 2008 sales should decline by 5~7% YoY to US$2.8 billion due to the market recession. EBITDA is projected to range between US$234~248 million, but the EBITDA margin should remain at around 9% level, which is still better than the Korean manufacturing industry average of 7.9%.

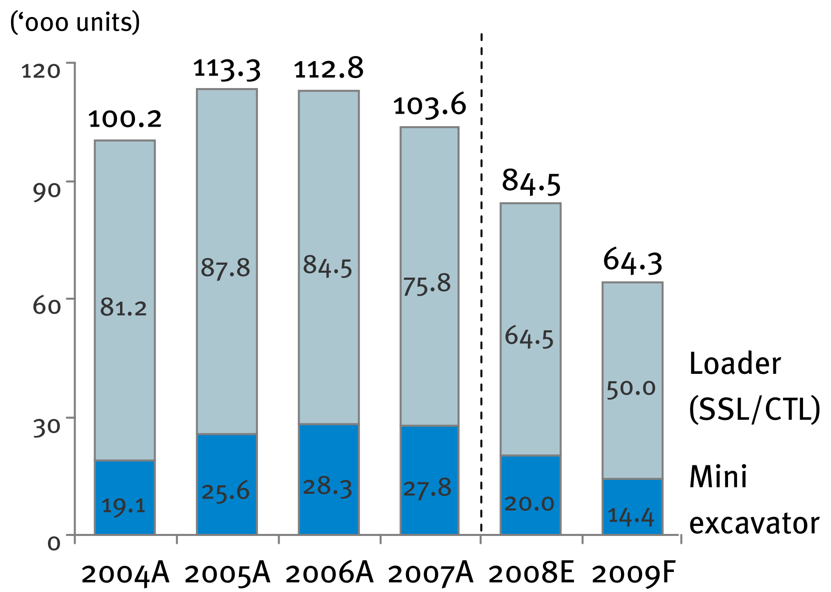
	Jan.~Sep.	Oct.~Dec.		Jan.~Dec.	
		Realistic	Conservative	Realistic	Conservative
Sales - YoY	2,131 -3.0%	663 -12.0%	616 -18.3%	2,794 -5.3%	2,747 -6.9%
EBITDA (%)	191 9.0%	57 8.6%	43 7.0%	248 8.9%	234 8.5%

N. American market and DII's sales volume to drop 20% YoY and 10% YoY in 2009

Unit : US$ million, %

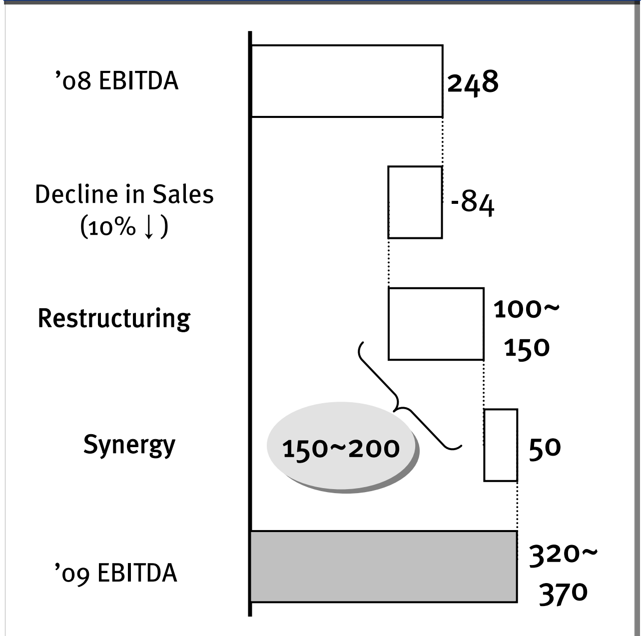
- The North American market in 2009 is projected to fall by more than 20% YoY. However, we anticipate DII's sales to only decline by 10% due to ① new product launch and ② expansion of stable recurring business.
- EBITDA should reach US$320~370 million thanks to restructuring efforts and synergy with DI.

US compact equipment market



Source: Yengst Associates, BCG analysis, off-highway

2009 EBITDA(E)



Plans to improve profit structure

Unit : US$ million

	Details	EBITDA Impact
Consolidation of business units & inefficient production facilities	• Attachments to be consolidated into Bobcat BU as planned – Integration/consolidation of production units (Petersburg, Carrollton) – Integration of inefficient facilities (Geith's Tredgar plant) – Restructuring of overlapping personnel	9.2 + α
Improvement in business structure	• Restructuring of company owned stores and headquarter – Restructuring of company owned stores – DII headquarter restructuring	5.7 + α
Fixed cost reduction	• Labor cost – 10% reduction of salary-base employees in progress – Reduction in hourly-based employees • Improvement in COGS and SG&A	89.8 + α
Increase in net sales	• Increase in net sales by changing sales policies and minimizing promotion	8.0
	Total	112.8 + α

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

Thank You

IR Team			
KO Nam	Director	kwonoh.nam@doosan.com	822-3398-8340
KJ Choi	Deputy General Manager	kwangjae.choi@doosan.com	822-3398-8322
HC Lee	Deputy General Manager	hochul.lee@doosan.com	822-3398-8033
WJ An	Deputy General Manager	wonjae.an@doosan.com	822-3398-8342
J Yoon	Manager	jiwon.yoon@doosan.com	822-3398-8344

Cumulative 3Q08 Breakdown By Division (Parent)

Unit : KRW billion, %

	Total		Construction Equipment BG		Machine Tools BG		Industrial Vehicles BG		Engines BG		Others	
	07	08	07	08	07	08	07	08	07	08	07	08
Sales	2,783.4	3,238.0	1,036.1	1,214.3	693.9	746.2	376.6	383.4	279.7	351.2	397.0	542.9
YoY	32%	16%	44%	17%	55%	8%	23%	2%	2%	26%	10%	37%
Domestic Sales	971.7	1,161.4	193.5	226.4	190.0	222.1	136.8	152.1	117.9	130.5	333.6	430.4
YoY		20%	6%	17%	41%	17%	18%	11%	-17%	11%	6%	29%
Exports	1,811.7	2,076.6	842.6	987.9	503.9	524.1	239.8	231.4	161.9	220.7	63.5	112.5
YoY		15%	56%	17%	61%	4%	27%	-4%	24%	36%	34%	77%
Operating Profit	232.4	381.6	91.9	148.3	90.3	107.7	-0.9	12.4	18.3	49.7	32.8	63.5
(OP Margin)	8.4%	11.8%	8.9%	12.2%	13.0%	14.4%	-0.2%	3.2%	6.5%	14.2%	8.3%	11.7%

Cumulative 3Q08 Breakdown of Exports by Region (Parent)

Unit : KRW billion, %

			2007				2008			
	2007	2008	Americas	Europe	China	Others	Americas	Europe	China	Others
Total	1,811.7	2,076.6	345.3	778.3	349.8	338.3	397.0	773.1	559.0	347.5
(y-y)		15%					15%	-1%	60%	3%
Construction Equipment	842.6	987.9	106.0	383.9	242.2	110.5	157.1	320.4	424.0	86.4
(y-y)		17%					48%	-17%	75%	-22%
Machine Tools	503.9	524.1	143.4	249.0	71.0	40.5	154.9	291.8	77.1	0.3
(y-y)		4%					8%	17%	9%	-99%
Industrial Vehicles	239.8	231.4	80.2	107.0	11.8	40.8	65.5	111.8	16.7	37.4
(y-y)		-4%					-18%	4%	41%	-8%
Engines	161.9	220.7	7.3	21.3	14.9	118.4	10.2	28.6	21.2	160.7
(y-y)		36%					38%	35%	43%	36%
Others	63.5	112.5	8.4	17.0	9.9	28.1	9.3	20.5	20.0	62.7
(y-y)		77%					11%	20%	102%	123%