

CREATING NEW INSIGHTS

Doosan Infracore Annual Report 2011

www.doosaninfracore.com
www.doosaninfra.com



DRIVING PROGRESS IN OUR INNOVATION

We are committed to building a better future with
leading-edge technology and aspirations for advancement

We are striving to make a better world through the infrastructure support business.

CONTENTS

Vision & Strategy	02
Financial Highlight	04
CEO Message	06
2011 Global Performance Highlight	10
Business Overview	20
Sustainability for the Future	36
Financial Statements	50

Corporate Profile

Doosan Infracore* ranks among the world's leading makers of construction equipment, machine tools and engines required to build and maintain infrastructure. We were founded in 1937 and have since achieved an unrivalled position in Korea's machinery sector. In the 1990s, we made big moves to become a truly global player. We built a global network of large production facilities and sales subsidiaries, along with extensive dealer networks in major foreign markets, including North America, Europe and China. Notably, after we started out anew as an affiliate of the Doosan Group in 2005, we have significantly accelerated our growth by selectively focusing available resources on the infrastructure support business (ISB), based on meticulous strategies and decisive action. Recently, we have acquired globally recognized brands, such as Bobcat® and Doosan® ADT, as part of our efforts to join the ranks of global top players. Our efforts are now focused on generating synergy with these new units as we are rising rapidly in the ranks of the world's leading corporations. Doosan Infracore will continue to do its best to provide the best products and services in the global infrastructure support business.

* As used in this report 'Doosan Infracore,' 'We,' 'our,' and similar terms include Doosan Infracore Co., Ltd. and its subsidiaries, unless the text indicates otherwise.

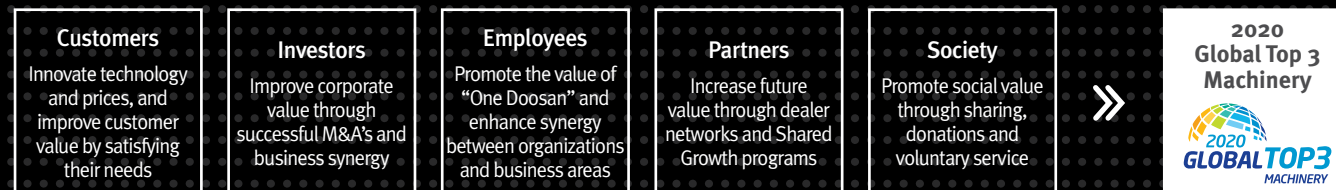
FOCUSING ON A HIGHER VISION

We aim higher than our own success.

We are committed to building a better future for all.

We think and act globally to make the world a better place.

We realize our vision by raising our value.



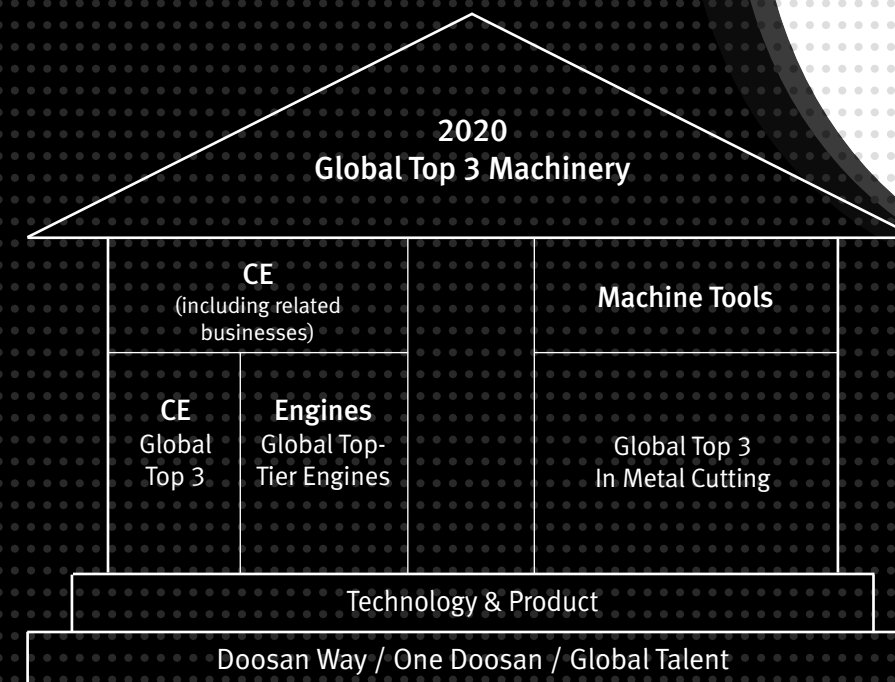
Vision & Strategy

We aim to be among the Global Top 3 Machinery Makers in 2020.

The vision of Doosan Infracore is to become one of the world's Top 3 machinery makers. To make this happen, we are enhancing our core competencies as a global infrastructure support services provider while constantly innovating our operations. In this process, our operational scale and core competencies are interacting to create a virtuous cycle of excellence, which will help us become a truly global leader offering unique customer value. Also, our global network of production facilities, sales subsidiaries, branches, research centers, parts distribution centers, along with a dealer network spanning more than 4,000 locations globally, are coming together to create synergy, enhancing global competitiveness and improving customer value in accordance with the Doosan Way.

Our own value and philosophy-Doosan Way

The Doosan Way signifies our unique values and philosophy that has been driving us forward. It is also the basis of a systematic approach aimed at enhancing our future competitiveness. The Doosan Credo and the Business System are the two key components of the Doosan Way.



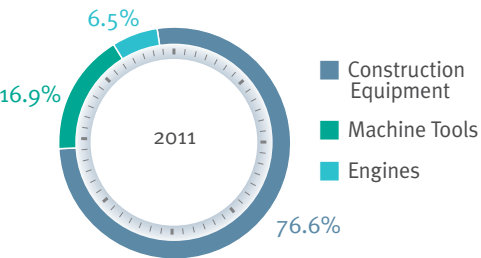
2011 FINANCIAL HIGHLIGHT

Summary of Financial Performance (Consolidated)	2011		2010	
Sales	8,463	7,338	7,482	6,569
Operating Profit	708	614	676	594
Net Income	311	270	158	139
Earnings Per Share (KRW)	1,769	1,534	1,245	1,093
Total Assets	11,704	10,148	11,012	9,669
Total Stockholders' Equity	2,285	1,981	1,758	1,544
	KRW in billions	USD in millions	KRW in billions	USD in millions

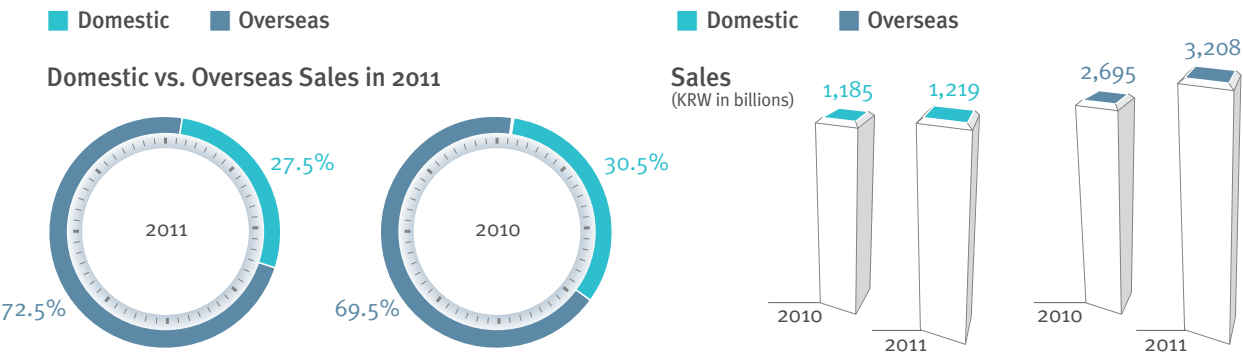
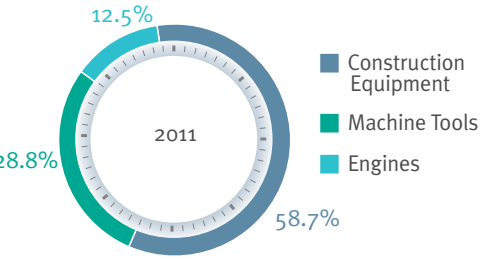
* The USD values are converted from the KRW values above based on the basic exchange rates for December 31, 2011, (W1,153.30) and for December 31, 2010, (W1,138.90) for your reference.

Summary of Financial Performance (Independent)	2011		2010	
Sales	4,427	3,839	3,880	3,407
Operating Profit	372	323	490	430
Net Income	314	272	190	167
Earnings Per Share (KRW)	1,862	1,614	1,126	989
Total Assets	5,845	5,068	4,915	4,316
Total Stockholders' Equity	1,689	1,464	1,432	1,257
	KRW in billions	USD in millions	KRW in billions	USD in millions

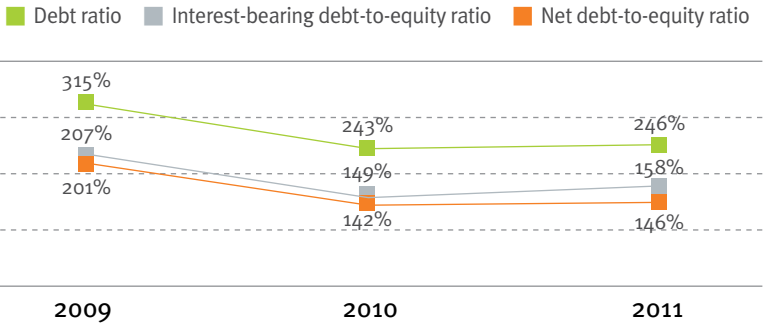
2011 Sales by BG (Consolidated)	2011	
Construction Equipment	6,487	5,625
Machine Tools	1,426	1,236
Engines	550	477
Total Sales	8,463	7,338
	KRW in billions	USD in millions



2011 Sales by BG (Independent)	2011	
Construction Equipment	2,598	2,253
Machine Tools	1,277	1,107
Engines	552	479
Total Sales	4,427	3,839
	KRW in billions	USD in millions



Key Financial Ratio (Independent)



CEO MESSAGE

Secure assets for future growth through technology innovation; elevate quality and price competitiveness through operational innovation.

To Our Customers, Investors and Other Stakeholders

Thank you for your interest in and support of Doosan Infracore. We are on a proud mission to help make a better world through the infrastructure support business. Through dedication and hard work, we are satisfying diverse stakeholders while we raise our own corporate value. Our people today are focused on realizing the corporate vision of joining the ranks of the world's Top 3 machinery makers.

Business Performance for 2011

2011 began exceptionally well as the global economy turned favorable, but an economic crisis erupted in Europe during the second half of the year, while economic recovery in the U.S. was delayed and Chinese economic growth slowed. These developments put the brakes on the economic recovery, and a very difficult year ensued.

The adversity prompted Doosan Infracore employees to join forces in a combined effort to strengthen the corporate fabric and elevate global competitiveness. As a result, the Machine Tools Division and Bobcat Company led the way, particularly in the U.S. and emerging markets, to exceed our expectations for the year. Indeed we achieved an all-time high operating profit of W372.4 billion on sales of more than W4.42 trillion on an independent basis (operating profit of 708.5 billion on sales of over W8.46 trillion on a consolidated basis).

We thus managed to break our annual performance record for the second straight year, thanks in large part to your trust in and support of Doosan Infracore. I would like to take this opportunity to sincerely thank you for this.

Market Outlook for 2012

The political and economic landscapes have been undergoing major changes from the start of 2012, and destabilizing factors abound. North Korea is now under a new leader, Kim Jeong-eun, aggravating an already tense political situation in Northeast Asia. Sovereign debt crises persist in Greece, Italy and other Eurozone countries.

On the other hand, many encouraging signs can be seen. Consumption has picked up somewhat in the U.S., and the employment picture has improved, while Germany and France are leading an aggressive effort to stabilize the Eurozone. Concerns persist over the risks associated with a hard landing of the Chinese economy. However, power will soon be handed over to new leadership in China, and the outlook political situation appears to be stable there.

We expect more risks as well as opportunities than usual will await us in 2012. However, we will be even more aggressive in our pursuit of global markets in the months ahead so we can live up to the expectations you have for Doosan Infracore.

History clearly shows how Doosan Infracore is exceptionally resilient in a crisis. We are also able to respond faster than others can. I am confident we will shine once more in 2012, given our indomitable spirit and long experience in creating outstanding results by changing and innovating constantly. Doosan Infracore has led the advancement of the Korean machinery industry over the years. In 2012, we will bring together the collective strength of top management and all employees to establish a solid position among the very best in the global machinery industry.



CEO Message



Business Targets for 2012

Our performance goal for the coming year is yet another record breaker: W494.9 billion in operating profit on more than W5.14 trillion in sales on an independent basis (or W850 billion in operating profit on sales of W10 trillion on a consolidated basis). These figures are 20 percent higher than what we achieved in 2011, and achieving them will bring us one step closer to being one of the world's Top 3 machinery makers.

Importantly, we are locked in a major battle for supremacy in the Chinese market, and our resources and competencies will be focused on increasing our market share there. In the coming year alone, we will bolster our position by unveiling eight new excavator models designed specifically for Chinese users. A new R&D center for wheel loaders will be completed in China in 2012, elevating our responsiveness to local market needs. Bobcat Company is also introducing models designed for China and will step up its local marketing activities in order to make further inroads into China. Our joint venture plant with Xuzhou Construction Machinery in Suzhou will start mass-producing diesel engines for construction equipment in the first half of 2012. Production will be expanded to diesel engines for trucks and buses next year, and annual output capacity is scheduled to reach 100,000 units by 2018.

In addition, our Machine Tools BG, which turned in a record sales performance in 2011, continues to grow. The primary area of focus has been on machine tools in support of automakers in China, North America and Europe. Now, however, the product portfolio is being expanded to include models for the aerospace and energy industries.

Combined efforts such as these will allow us to surpass our performance targets without fail and bring us a step closer to our ultimate goal. At the same time, we will focus on the following tasks to make Doosan Infracore one of the most competitive and respected players in the business:

Action Strategy 1: Innovate Technology to Secure Assets for the Future

“Technology” is the keyword for the coming year. Prevailing in the global market is predicated upon having a technological edge, and that technology is ultimately produced by people. Outstanding engineers and technological competencies are the assets that will ensure our future within a hotly contested business arena. Doosan Infracore is scouting out and recruiting topnotch engineers as well as providing them with the support they need to keep improving. This ongoing program of human resource development leads to corporate growth in a virtuous cycle.

Action Strategy 2: Innovate Operations to Raise Quality & Cost Competitiveness

Even the best strategies end up for naught if they are not implemented properly. We must, therefore, make a top priority of strongly linking strategies at the corporate level with operational innovation at the factory level. At the same time, our operational innovation must be aimed at raising quality as well as at lowering costs.

Meanwhile, we will further strengthen new product development processes to ensure the quality of core parts and com-



ponents in advance. Our Six Sigma program will be extended to suppliers as we strive to enhance our quality assurance competencies in all directions. At the same time, we will determine the kinds of quality that our customers want and bolster our product planning capabilities so we can clearly define product-related targets in terms of quality, cost and performance.

Doosan Infracore will lower costs and raise quality by closely linking corporate strategies with factory operations. Our comprehensive improvements to the production system will elevate quality levels at suppliers as well. At the same time our strengthening of new product development processes will provide us with the capability to ensure our strategies are executed properly.

Action Strategy 3: Advance as a Highly Respected Company that Fulfills CSR

We also faithfully fulfill our social responsibilities as a corporate member of society. Corporate advancement is closely linked to social advancement, and we are taking the lead in creating a system through which social progress allows our enterprise to keep evolving. We are responding to global environmental issues by developing eco-friendlier machines, such as hybrid excavators and cleaner-burning engines that maximize energy efficiency.

The direction of Doosan Group's CSR effort can be summed up as “empowering people and supporting growth” as well as “investing in future generations.” In line with these goals, we support children and youth, thereby bettering society going forward. For example, we are launching the Dream School

in 2012 to help young people from low-income families find the most suitable career path. The mentoring program offers the guidance they need to realize their dreams and grow. Thus, Doosan Infracore will remain at the forefront of the effort to improve the quality of life and thereby earn the respect of the public.

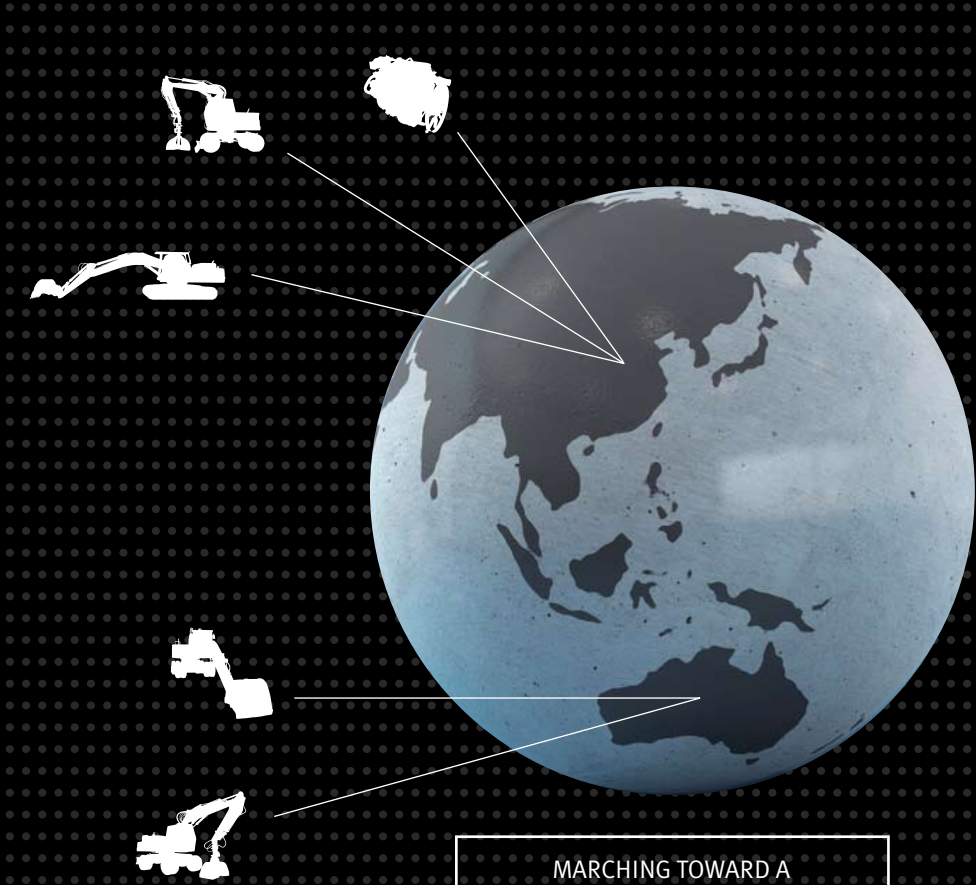
No matter how bitter cold the winter may be, it cannot deny the flowers their inherent ability to bloom come spring. In this same way, competitive companies will always be able to survive and prevail in the world at large.

We have worked hard at bolstering our technological expertise, cost competitiveness and product quality so Doosan Infracore keeps growing and prevails in the marketplace. In 2012, we will also actively contribute to a better world, thereby firming up our foundation as a truly respected enterprise. As CEO of Doosan Infracore, I will take the lead in this endeavor.

In closing, let me extend my best wishes to you and your families in the coming

Yong-sung Kim, President & CEO
Doosan Infracore Co., Ltd.

EXPANDING TO A WIDER WORLD



MARCHING TOWARD A
WIDER WORLD

We are looking beyond the horizon.
We think beyond today and look into the future.
We are building infrastructure globally to enrich people's lives.

Doosan Infracore's Global Business Strategies

Doosan Infracore took a big step into the global market in the 1990s and has since built business networks across the world, leading Doosan Group's drive to strengthen global presence. We have selectively focused our resources on the infrastructure support business and acquired globally recognized brands, such as Bobcat® and Doosan® ADT. Now, we achieve more than 80 percent of our total sales revenue outside Korea. To boost our growth momentum further, we will improve our production capacity by building more factories in Korea, China and Brazil and upgrade our integrated regional management systems. This will create synergy for our business and help us realize our vision of becoming a global market leader.



PROCEEDING TOWARDS
GLOBAL EXPANSION

ASCENDING TO THE
GLOBAL VERTEX

We make the world function

We enrich your life

We help improve your quality of lives

Sales for 2011 (Consolidated)

◎ KRW 8,463.1 Trillion

Record-High Sales Achieved for Two Consecutive Years

We had yet another record-breaking sales year in 2011 after reporting record-high sales in 2010. The combined sales in North America and Oceania stood at W2.19 trillion in 2011, an increase of 39.7 percent over 2010, while the figure for the Asia-Pacific and emerging markets was W2.66 trillion, up 16.5 percent over the previous year. Overall, we managed to achieve double-digit growth in 2011.

OUR PERFORMANCE

Action Strategies for Growth by Business Region

We have experienced explosive growth of more than 20 percent at an annualized rate for the past five years. This is because we have responded to rapid changes in the market environment effectively by leveraging them as new business opportunities. In North America and Europe, we are selling Doosan's products under the Bobcat® brand and through the Bobcat® sales network to elevate brand power. In the Chinese market, we are focusing more on developing customized products and meeting the growing needs for sophisticated equipment. In addition, we are working hard to strengthen local networks and marketing capabilities to be a frontrunner in Latin America, India, Russia and the Middle East. Of special note is the fast-growing Latin American region. We are preparing to construct a factory in Brazil to gain growth momentum in the region.

* The machine in the photo is not being operated and the boom is fully lowered to the ground

We open new windows of opportunities.

We create new synergy.

We are adding a new success story to the history of global business.

One Doosan



Doosan's Organizational Culture Enhances Communication and Leadership

Doosan Infracore is a global player with an extensive business network around the world and a diverse and vibrant workforce. Multifaceted efforts are under way to promote the "One Doosan" corporate culture, which helps unite employees worldwide and enhance communication and leadership, and to create a workplace full of pride, trust and fun.

CORPORATE CULTURE

Strengthening Market Position through Global M&A's

Doosan Infracore started out anew as a member of the Doosan organization in 2005 and has acquired numerous subsidiaries since then. Constant effort has been made to maximize collaboration among these various units, and our advance into global markets has accelerated. We acquired Bobcat Company, the world's largest maker of compact construction equipment from Ingersoll-Rand in 2007, which is solidifying its No.1 position and brand power in the global market. Doosan® ADT, a company we purchased in 2008, is continuing to grow as well. Now we have established a truly global management system by creating synergy with these new subsidiaries and bolstering our operational infrastructure in advanced markets, such as North America and Europe.

We know no boundaries.
We help people live more convenient lives wherever they are.
We will be your reliable business partner.

4,000 Dealer Networks

Global Business Network

Doosan Infracore commands a vast global business network of more than 14,000 talented workers. We have 22 production facilities, 100 sales subsidiaries and branches and 18 research centers, along with a dealer network spanning more than 4,000 locations globally. These networks help us deliver the best products and services to our customers when they are needed.

GLOBAL NETWORK

Integrated Regional Management Systems

We are striving to manage our global operations ever more efficiently and maximize collaboration among the brands in the Construction Equipment BG, which include Doosan®, Bobcat®, Geith™, Montabert® and Tramac®. In 2011, we established integrated management systems based on four geographical regions: AP/E (Asian-Pacific and emerging markets), China, EMEA (Europe, Middle East, Africa), and NA/O (North America and Oceania). This reorganization has allowed us to perform diverse tasks, such as engineering, sales and marketing activities, and technical support, as well as manage sales and profit & loss performance, at the business region level. Also, these changes have led to enhanced brand value and joint marketing and procurement activities, which have, in turn, contributed to lower costs.

We dream of a better world.
We help build a brighter future globally.
We fulfill our responsibilities as a global corporate citizen

17,300 People

Number of Graduates from “Doosan Hope Project Primary Schools” and “Vocational Training Programs” in China

Doosan Infracore is helping develop local communities and create jobs through in-depth localization outside Korea. For example, we are building “Hope Project Primary Schools” in China's remote rural areas and providing job training programs for disadvantaged Chinese youth in rural communities by donating part of our revenue to the causes every year. These efforts are contributing to the development of Chinese local communities and improvement of their educational environment.

SOCIAL CONTRIBUTION

Making Further Inroads into the Chinese Market through In-Depth Localization

Doosan Infracore saw huge growth potential in the Chinese market and established a subsidiary called Doosan Infracore China Co., Ltd. in 1994. The company has since been on a roll through bold investment, aggressive marketing and in-depth localization. DICC has developed excavator models designed specifically for Chinese users and established a solid sales network and after-sales service systems. These efforts have solidified DICC's No.1 position in the Chinese excavator market in terms of aggregate number of excavators sold and customer satisfaction.

We are striving to expand the existing excavator market in China and pursuing a brand enhancement strategy. At the same time, we are focusing our resources on upgrading our production facilities, such as Doosan Infracore Shandong Co., Ltd. (DISD), Doosan Infracore Suzhou Co., Ltd. (DISC) and Xuzhou Xugong Doosan Engine Co., Ltd. (XDEC). These efforts will help us become a leading construction equipment maker in China.

GENERATING SYNERGY WITH SMARTER STRATEGIES



We enrich your lives.
We maximize synergy by maintaining a balance in our portfolio of construction equipment, machine tools and engines for urbanization and industrialization based on the “selection and concentration” strategy.

Business Overview	22
Construction Equipment	24
Machine Tools	28
Engines	32


BUSINESS OVERVIEW

Our competitiveness is improved by selectively focusing our resources.

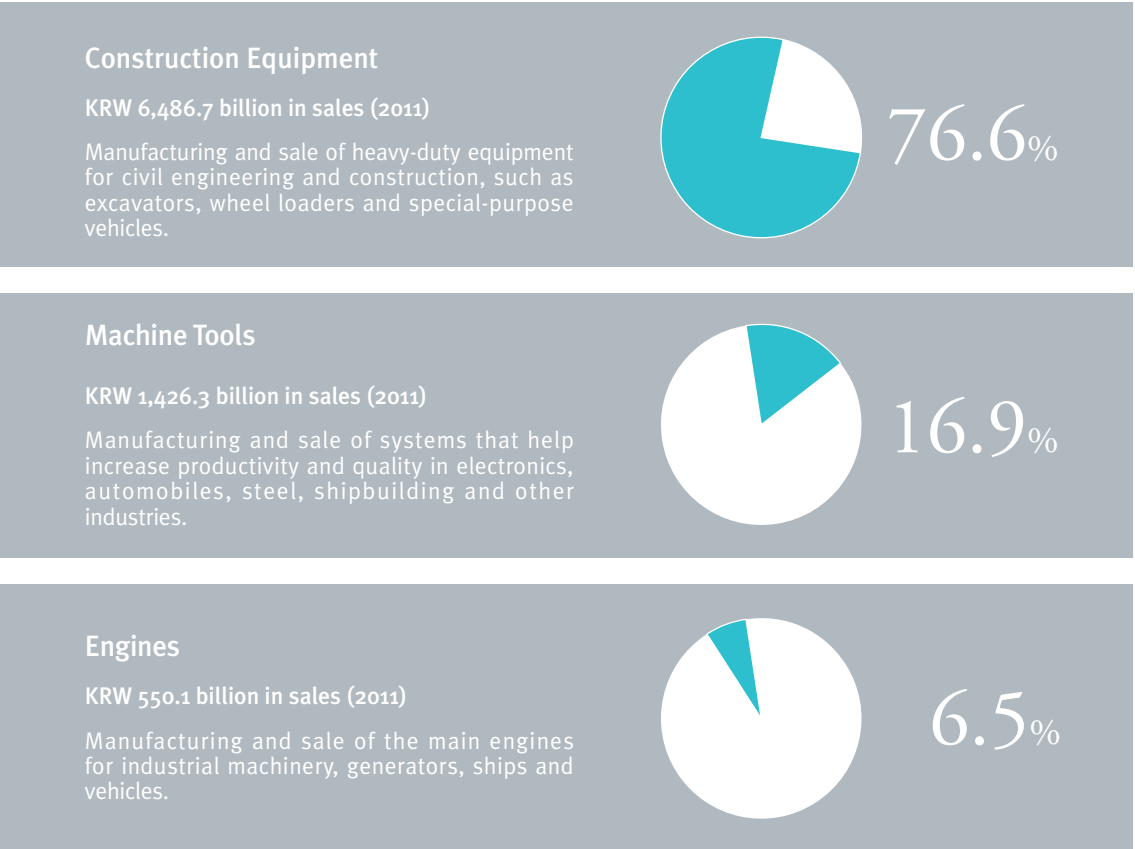
Doosan Infracore has been building a business portfolio that encompasses construction equipment, an integral part of infrastructure; engines, which power machinery and equipment; and machine tools, used in fabricating engine components and other parts for machines. Our annual sales have averaged a growth rate of more than 20 percent for the past five years, driving the global growth of Doosan overall.

In 2011, operating income was up 4.7 percent to KRW 708.5 billion on total sales of KRW 8,463.1 billion, a 13 percent increase year-on-year. The sales portfolio breaks down as KRW 6.49 trillion (76.6%) for the Construction Equipment, just under KRW 1.43 trillion (16.9%) for the Machine Tools, and KRW 550.1 billion (6.5%) combined for the Engines along with the company-level Institute of Technology and Corporate Center. The sales of the Construction Equipment and Engine Business Groups grew 8.8 percent and 10.7 percent, respectively, year on year. In the meantime, the Machine Tools saw a 39.6 percent increase in sales and a 180 percent surge in operating income, thanks to explosive growth in Korea and China as well as enhanced competitiveness in advanced markets.

Doosan Infracore's Product Competitiveness

	Construction Equipment	: The world's fifth largest heavy-duty construction equipment maker
		Portable Power: The world's largest air compressor manufacturer Moxy: Original technology related to articulated dump trucks (World's top 50 construction equipment manufacturers in terms of annual sales for 2010 and 2011)
	Machine Tools Engines	: The world's fifth largest machine tool maker : The nation's largest industrial diesel engine manufacturer
	Bobcat®	: The world's number one small construction machinery maker

Business portfolio





Construction Equipment

* This photo was taken while the machine was being operated by licensed personnel.

Main Products

Excavators / Wheel loaders / Articulated dump trucks / Skid-steer loaders / Compact tractor loaders / Toolcats / Telescopic handlers / Utility vehicle / Air compressors / Light towers / Generators / Attachments for construction equipments



* This photo was taken while the machine was being operated by licensed personnel.

The Construction Equipment started out in 1977 and has produced mid-sized as well as heavy construction equipment models used on construction sites, including those for urban development projects. The Business Group has grown steadily by developing models in-house and expanding its product lines, workforce and global network. Doosan Infracore’s status as a major construction equipment maker rose after acquiring Bobcat® in 2007 and Doosan® ADT in 2008. These acquisitions expanded both the business scale and product lineups, which encompass excavators, wheel loaders, articulated dump trucks and compact construction equipment.

- | | |
|------|--|
| 1977 | Created Heavy-duty Equipment Business Group |
| 1978 | Manufactured and shipped the first excavator |
| 1990 | Established Doosan Infracore Europe S.A. in Belgium |
| 1995 | Established sales subsidiaries in Japan (DCMC), Germany (DMV) and Australia (DHIAU) |
| 2007 | Acquired the compact equipment business of Ingersoll-Rand |
| 2008 | Acquired Doosan® ADT, an articulated dump truck manufacturer in Norway |
| 2011 | Broke the 100,000 unit mark in aggregate excavator production by Chinese subsidiary DICC |

Construction Equipment

With Bobcat compact equipment, the Construction Equipment will become one of the world’s top brands in the construction machinery sector.



Core Brands
Doosan / Bobcat / Geith /
Montabert / Tramac



Business Overview

Construction equipment is a technology-intensive industry that requires technologies spanning the entire machinery industry, starting with materials and parts. Doosan Infracore’s Construction Equipment BG boasts such globally recognized brands as Doosan®, Bobcat®, Montabert®, Tramac® and Geith™, cementing its position as an industry leader with a construction equipment portfolio ranging from mini- to heavy-duty models, along with attachments, portable air compressors, lighting systems and generators. The BG is advancing toward the goal of joining the “Global Top 3” by working closely among dealers, partners and employees and by delivering first-class products and services.

2011 Market Review & Business Performance

The construction equipment market was hit by the global financial crisis in 2008, but has been on the road to recovery since 2010, attributable to the expanded infrastructure investment in Korea and economic growth in emerging markets. In 2011, domestic market activity slowed from the previous year as a result of the construction industry slump in Korea. On the other hand, the global market showed gradual growth in advanced and emerging economies despite the European debt crisis and a contraction in the Chinese market.

In 2011, the Construction Equipment BG achieved KRW 6,486.7 billion in sales, up 9 percent from the previous year, as the advanced economies started to turn around. Sales fell 45 percent in China while rising 28 percent in North America and 42 percent in Europe with a high level of order backlogs at year’s end. The poor sales performance in China was offset by impressive growth rates of more than 30 percent year on year in North America, Europe, the Middle East and Africa, thanks to the recovery of advanced economies and increased demand from large rental companies.

Restructuring & Expansion in Production Facilities

The Construction Equipment BG was reorganized by integrating the heavy equipment business with the compact equipment business (including Bobcat Company and Doosan Infracore Portable Power products), and dividing overall operations into four regional units. The public relations and sales networks were also revamped to maximize the synergy effect. The BG also has a global production network with facilities in Korea, China, the U.S., the U.K., Belgium, Czech Republic,

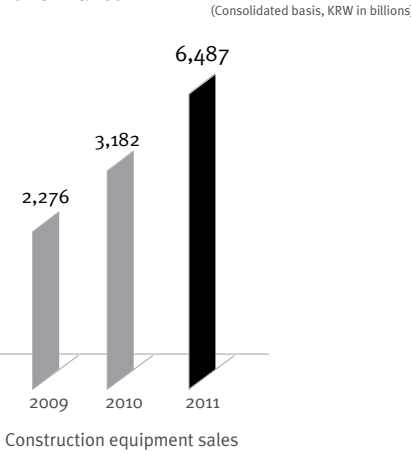
Doosan Infracore Construction Equipment* is a core business group that takes the lead in the infrastructure support business (ISB). This unit is not only a major growth engine but also an integral part of global operations. The group aims to be ranked among the world’s top 3 construction equipment makers by increasing its competitive advantage through ongoing innovations in quality, technology and operation.

* Doosan Infracore Construction Equipment is a global strategic and business alliance of the construction equipment businesses of Doosan Infracore Co., Ltd. and its affiliates. The alliance is not a legal entity, joint venture or partnership.

- 1. Doosan excavator DX225LC
- 2. Bobcat compact excavator V417
- 3. DPP air compressor XP375WJD
- 4. Geith buckets and Montabert hydraulic rock breaker V45
- 5. Doosan articulated dump truck DA40



Performance



France, Norway and Brazil. A new factory for heavy construction equipment (excavators, wheel loaders) was completed in Gunsan, Korea, in October 2010, followed by a second Chinese excavator factory in Suzhou in October 2011. The Suzhou facility specializes in smaller models (up to 8 tons) and has an annual output capacity of 9,800 units. It joins the excavator factory at Yantai, China, that boasts the highest aggregate production of mid-sized and heavy-duty excavators in the country. Meanwhile, another excavator factory with an annual production capacity of 1,500 units a year is scheduled for completion in Brazil in the latter half of 2012.

2012 Business Prospects

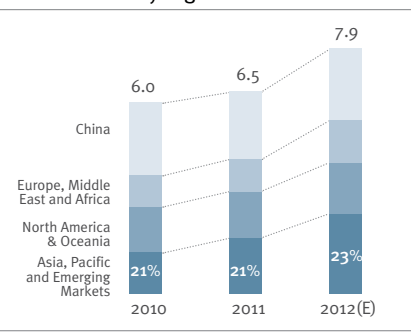
The Chinese market contracted in 2011 but is expected to recover in 2012, as the government is likely to relax its policies and large infrastructure projects are underway, including the second-year investment as part of the 12th Five-year Development Plan. Developed markets are also forecast to pick up thanks to improved U.S. construction indicators, continued replacement demand for construction equipment and low interest rates. Moreover, the emerging markets of Brazil, Indonesia and the CIS are further expanding investment in infrastructure and developing natural resources, which is likely to drive up demand for construction equipment.

Main Strategies

The Construction Equipment BG has raised its annual growth target to 20 percent in 2012, based on prospects of steady growth in China, the rest of Asia, and other emerging markets going forward. To that end, the BG plans to reestablish market dominance in China by bolstering sales channels through stronger product lineups and a revamped sales network, and by raising the competitiveness of compact excavators with the Suzhou Plant in full operation.

Meanwhile, the operating margin of profitability for Bobcat® and Doosan Infracore Portable Power continues to improve. The output capacity for compact models will increase with the resumption of operation at Bobcat Company’s Bismarck factory, and sales efforts will be stepped up for the mid-sized and heavy-duty models. The BG aims to make further inroads into Brazil, Indonesia and Russia, increasing its share of these emerging markets to 20 percent by 2016 by establishing a local factory and parts center in Brazil, strengthening lineup coverage and product support for dealers in Russia and expanding lineup coverage for dealers in Indonesia.

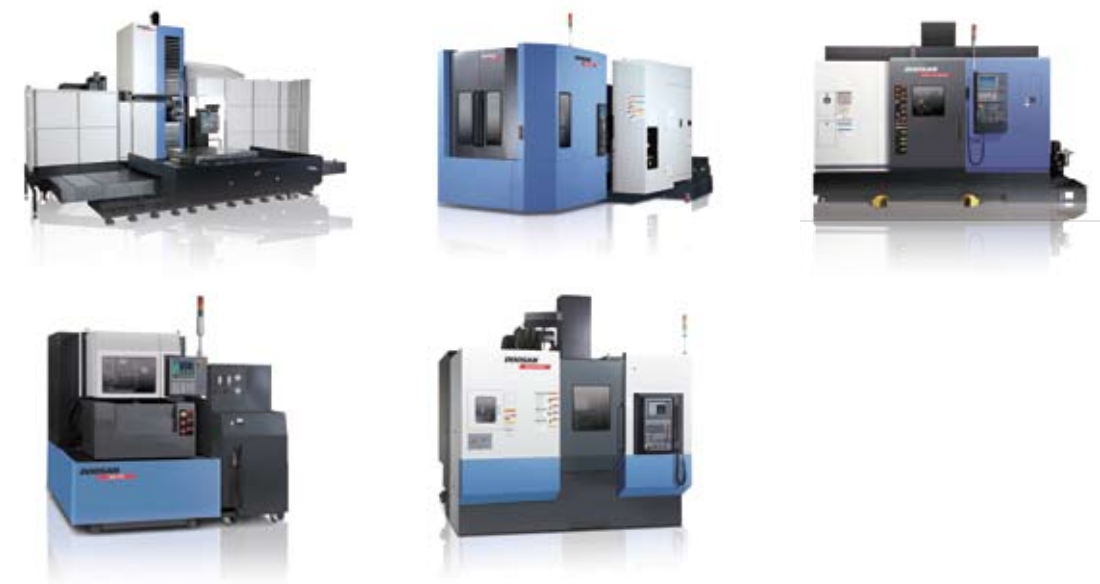
Sales volume by region



Machine Tools

Main Products

Turning Centers / Machining Centers / Horizontal Boring Mills /
Double Column Machining Centers / Swiss Turns /
Electric Discharge Machines / 5-axis Machining Centers / System Applications



The Doosan Infracore Machine Tools started out with the completion of a factory in Changwon, Korea, in 1976. The BG has played a pivotal role in the development of key industries in Korea by applying in-house technology to localize machine tool production and reduce importation costs. Additionally, the Business Group has been active in global markets since the 1980s, and now many leading global companies use Doosan machine tools. The drive to become a global top brand continues through steady improvement in technology as well as product and service quality to maximize customer satisfaction.

- 1976 Completed a machine tool factory
- 1980 Developed the first proprietary NC lathe (PUMA 10)
- 1994 Established a U.S. subsidiary, Daewoo Machinery Corp. (DMC)
- 2001 CNC lathe was selected as a “world’s best product” by Korean government
- 2002 Established a Chinese production subsidiary, Doosan Infracore Machine Tools Yantai Co., Ltd
- 2007 Integrated the Machine Tool Business of Doosan Mecatec Corp.
- 2008 Established the nation’s largest R&D center
- 2009 DNM Series was selected as one of the “Top 23 Science Technologies and Industrial Achievements of Korea”

Machine Tools

Doosan Infracore aims to be the best partner with high-speed and high-precision technology and a focus on customer value.



1

Main Products

Turning Centers /
Machining Centers /
Horizontal Boring Mills /
Double Column Machining Centers /
Swiss Turns/
Electric Discharge Machines /
5-axis Machining Centers /
System Applications

Business Overview

Since 1976, ongoing R&D investment and innovation have enabled Doosan Infracore’s Machine Tools to rank among the world’s best and to contribute to industrial development around the world. Moreover, the company’s global market share keeps increasing thanks to strengthening competitiveness through a global sales and after-sales service network and top-quality products. Importantly, the BG now boasts some of the world’s most advanced technologies turning centers and machining centers, which are mainstay product lines. Doosan also stands at the forefront of cutting-edge, value-added models used in the electric vehicle, aircraft, IT, bioengineering, and medical equipment industries.

2011 Market Review & Business Performance

Since 2010, the machine tool market has been on track for recovery across the board, though growth was inconsistent by region. Recently the overall market returned to the 2008 level. Growth has been particularly strong in Korea as well as in China, India, and some other emerging economies thanks to government-led economic stimulus packages and a pick-up in exports. Even the advanced markets of the U.S. and Europe, which have turned around rather slowly since 2008, regained their historical averages in 2011, thanks to a more robust automobile industry, increased exports to emerging countries and government support to manufacturing. However, the economic slowdown caused by repeated financial problems in developed nations may spread to emerging market economics, so the prospects for future growth face greater uncertainty. Nonetheless, the Machine Tool BG’s sales rose 40 percent year-on-year to KRW 1,426.3 billion in 2011, and operating income surged to KRW 117.5 billion, an increase of 160% compared to the previous year.

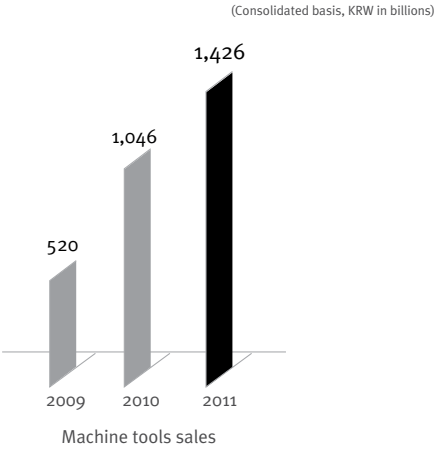
Market-specific Marketing

The Machine Tool BG is reinforcing marketing with a sales strategy in line with demand based on global market analysis. In 2011, the BG stepped up efforts to advance further into the European market. Doosan Infracore Germany (DIG) has been working to secure a loyal customer base by expanding the sales and service team and enhancing customer service. The local subsidiary also bolstered local technical support for product training, fabrication demonstration and automation solutions by establishing technical centers in Eastern and Northern Europe. As part of the market expansion effort, DIG participated in the European Machine Tool Exhibition

Extensive experience and ongoing R&D are being leveraged to make Doosan one of the world’s foremost machine tool makers, equipped with design and manufacturing capabilities for high-speed, high-precision and durable products.



Performance



(EMO or Exposition Europeenne de la Machine) with a large booth that showcased special-purpose models designed for the European market, including cutting-edge, value-added products for the airline and energy industries and small, multifunctional machines for fabricating medical equipment and precision machine parts.

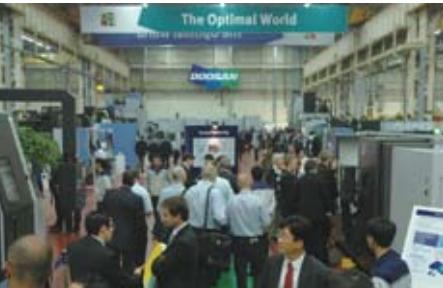
2012 Business Prospects & Main Strategies

The Machine Tool BG will focus resources on China and other emerging markets where governments are implementing economic stimulus programs. Emerging economies have strong growth potential and their automobile industries are likely to drive demand in the machine tool sector. Despite difficult market conditions, China is expected to sustain high growth and therefore momentum. Doosan Infracore also aims to achieve high sales growth in the U.S. and Europe by responding to new demand driven by the airline and energy industries.

1. Doosan machine tools NHM5000, MX1600ST

2. Europe's largest machine tool exhibition EMO 2011
Doosan Infracore participated in the EMO Hanover 2011 from September 19 to 24, 2011, showcasing its product line-ups specialized to the needs of European markets, gaining a foothold into the European markets.

3. Doosan International Machine Tools Fair (DIMF)
Doosan Infracore held the 8th DIMF from May 11 to 14, 2011 at its machine tool plant in Changwon, South Gyeongsang Province, promoting on its technological leadership in machine tools.



Engines

Main Products

Diesel engines for commercial vehicles · construction equipment · generators and ships / Various types of gas engines / Castings for vehicle engines / Materials for hydraulic parts



The history of the Doosan Infracore Engines goes back to 1958, and the unit today produces and supplies diesel and natural gas engines for buses, trucks, industrial use, generators and ships. The Business Group has taken the lead in eco-friendlier engine production amid ever tightening emissions standards worldwide. Doosan has developed Euro-5 engines and received the US2010 Certification from the state of California in the U.S., which has the world's strictest regulations on emissions. The Engine operates an engine factory under the subsidiary Doosan Infracore America (DIA) to expand market share. In 2009, the BG also formed a joint venture with Xuzhou Construction Machinery, China's largest machinery manufacturer.

- | | |
|------|---|
| 1958 | Introduced a marine engine co-developed with AVL |
| 1985 | Started to make the independently developed STORM engine series |
| 1995 | Started to make the independently developed DE & DV series engines |
| 1999 | Developed the GE series of clean-burning CNG engines for vehicles |
| 2007 | Developed and started to mass-produce EURO-4 engines (DLo6 S, DLo8 S, DV11 S) |
| 2008 | Established an engine factory under DIA |
| 2009 | Launched a joint venture in China, Xuzhou Xugong Doosan Engine Co. (XDEC) |
| 2010 | Developed Euro-5 and US2010 engines |
| 2011 | Unveiled the Tier 4 Interim engine model |

Engines

The stated goal is to become one of the world’s top 5 engine makers, with advanced environmentally-friendly technology.



1

Main Products

Diesel engines for commercial vehicles · construction equipment · generators and ships / various gas engines / castings for vehicle engines / materials for hydraulic parts

Business Overview

Engines are an integral part of the machinery, equipment and vehicles required for construction, logistics, transportation, mining, agriculture and marine transportation. The Doosan Infracore Engine BG is leveraging more than 50 years of R&D and production experience to provide high-performance, fuel-efficient diesel and gas engines for commercial vehicles, construction equipment, generators and ships around the world. These are made in a large-scale network of assembly plants as well as factories for making materials and parts. The Engine BG continues to secure the latest products and technologies in line with the growing demand for green engines, boosting customer value.

2011 Market Review & Business Performance

The engine business is vulnerable to changing economic conditions. The global economy is gradually recovering from the financial crisis in 2008, particularly in emerging economies, while the advanced markets in the U.S. and Europe are also on track for recovery. In 2011, the Engine BG saw an 11 percent year-on-year increase in sales to KRW 550.1 billion, with a 15.4 percent year-on-year increase in operating income of KRW 52.3 billion.

Environmentally-friendly Engine Development

The Engine BG is intent on developing technologies to meet ever-tighter emissions standards. The BG’s wealth of know-how and technological expertise were applied to complete development of Euro-4 engines for vehicles in 2007 and Euro-5-complaint models in 2010. In 2011, the Doosan GK12 CNG engine received the US2010 Certification from the state of California, which has the world’s strictest emission standards. In the industrial engine segment, the BG is now working on a Tier-4 Final engine, following the completion of a Tier-4 Interim model in 2011. R&D investment continues on green engines to improve product competitiveness steadily.

2012 Business Prospects & Main Strategies

In 2012, the engine business is likely to face many challenges because of a slump in the domestic construction industry, a slowed economic recovery in advanced markets and emerging Chinese engine makers. However, the Engine BG will maintain growth momentum over the mid- to long-term by acting promptly when business opportunities arise. This includes the recovery in demand

Doosan Infracore is emerging as a global engine producer by developing a full line-up of diesel and gas models for commercial vehicles, construction equipment, generators and ships that meet increasingly strict environmental regulatory standards.



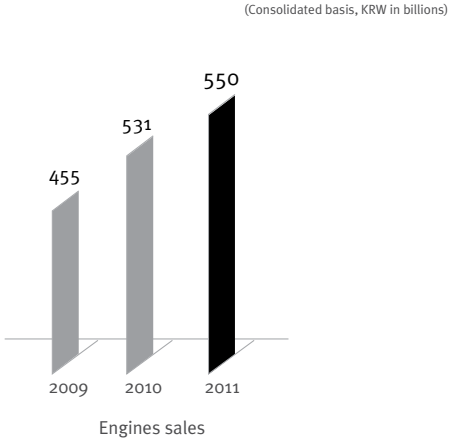
2



3



Performance



from Latin America and other emerging markets, and the growing potential purchasing power of existing customers. The BG will expand investment in research and development for the future and continue supplying natural gas engines and low-emission diesel engines to satisfy environmental protection policies around the world.

- 1. (left) Natural Gas Engines for generator (right) Marine Propulsion Engines
- 2. US2010 certified CNG engine.
Doosan Infracore developed the compressed natural gas (CNG) engine, targeting at the European and American markets, and won the US2010 certificate in June 2010.
- 3. DV11K Max. output: 450ps/1,900rpm Max. torque: 215kg.m/ 1,200rpm Emissions regulation: Euro-V





We are keeping our promise.
We practice a future-oriented entrepreneurial spirit in pursuit of harmony and prosperity among customers, employees and local communities.

REALIZING DEEPER COMMITMENT

Sustainable Management at Doosan Infracore

Doosan Infracore engages with stakeholders continuously and assesses sustainable management internally to enhance corporate value and grow by taking advantage of business opportunities and preempting risks. The corporate vision is summed up as “People are the future.” In line with this, the company establishes and implements sustainable management strategies to achieve the goal of being one of the world’s Top 3 machinery makers by 2020.

2011 Sustainable Management Awards

- [Selected as “2011 Best Company for Corporate Culture” by the Ministry of Labor]
- [Received the Grand Prize at 2011 Korea’s Top 100 Best Companies to Work (Manufacturing category) by GWP Korea]
- [Awarded Prime Minister’s Citation at the 2011 Small/Medium/Large Company Shared Growth Contribution Awards]
- [Awarded Prime Minister’s Citation at the 2011 Korea Green Management Awards]
- [Added to the Dow Jones Sustainable Management Index (DJSI) Asia Pacific]
- [Ranked first in the Sustainable Management Assessment (Machinery category) and awarded the highest grade by Sustainvest]
- [Received the highest rating in the Sustainable Management Assessment by Eco-Frontier]
- [Obtained the “A” rating in ESG Assessment by the Corporate Governance Service of Korea]

Environment Management	38
Research & Development	40
Customer Satisfaction	42
Human Resource Development	44
Organization Culture	45
Growth with Suppliers	46
Social Contribution	47



Environment Management

We drive green growth for the benefit of both people and the environment.

Doosan Infracore has defined the EHS management vision as being a “Leading Global Green Company.” Thus environmental, health and safety issues are carefully considered in every aspect of our business, to include making environmentally friendly products, establishing environmentally friendly work processes and minimizing the environmental impact of everything we do. To achieve our vision, we are devising strategies for accomplishing five tasks: (1) strengthen environmental management, (2) realize shared growth with partners, (3) respond to climate change, (4) develop eco-friendly products, and (5) reinforce social engagement.



Minimize Environmental Impact

Doosan Infracore is working to minimize environmental pollution and impact by adopting a standard environmental management system (ISO 14001) and safety and health management systems (OHSAS 18001 / KO-SHA 18001) at all operations inside and outside Korea, while manufacturing products that help reduce work-related injuries to meet various regulations relating to quality, environment, safety and health.

In addition, we have installed systems that reduce air and water pollution generated during production, and these systems are regularly inspected by the environmental authorities and local governments. We strictly manage air and water pollution by keeping our levels to no more than 40 percent of that allowed by regulatory standards. Likewise, we are reducing the volume of pollutants preemptively and proactively by introducing new technologies that address upcoming environmental issues. We go beyond legal compliance, in line with the growing social and regional concerns over the environment.

Moreover, our business groups take part in the company-wide initiative to reduce greenhouse gas (GHG) emissions. Each sets its own targets, engages in voluntary emission reduction efforts, and does its part to mitigate climate change by implementing the following mid- to long-term strategies: participate in the Carbon Disclosure Project in line with Doosan’s carbon management strategy, acquire carbon labeling certification for construction equipment and adopt an internal emission trading system.

Cope with Environmental Regulations

Doosan Infracore is addressing the challenges of the new European REACH (Registration, Evaluation, Authorization and restriction of Chemicals) program by creating substance inventories for each product line and building a database of chemical substances that are used in making each type of equipment. This will allow us to export our products to



Europe without any problems, while our European customers will also be able to continue importing our products. A REACH taskforce has been established to assess international regulations, promptly respond, and provide regular training to our staff and to the heads of our suppliers. In addition, we established a company-wide REACH response system in 2011 as a preemptive measure for satisfying stricter chemical regulations at home and abroad. It allows us to build the necessary infrastructure to respond to product-based environmental regulations, gather information on chemicals and manage all processes related to chemical substances systematically.

We are getting ready to adopt the United Nations Globally Harmonized System (GHS) of Classification and Labeling of Chemicals (2010), which is more advanced and standardized than the current Material Safety Data Sheet (MSDS). GHS classifies the hazards of chemical substances using standardized MSDSs and labels to convey the data clearly. Thus, Doosan Infracore continues to fulfill product safety requirements by complying with unified international standards. Our employee awareness of hazardous substance issues continues to be raised and the people responsible for EHS internally are being trained on the GHS.

In 2012, we will advancing our EHS management practices still further by establishing an integrated system to improve EHS performance management and monitoring for efficiently coping with ever-stricter environmental regulations at home and abroad. An enterprise mobility system is also being built to improve on-site inspections and facilitate policy execution.

Develop Eco-friendly Products

Doosan Infracore has been enhancing customer satisfaction by developing high-quality green products in each business group. In 2011, we formulated an excavator paint that requires less solvent and a heavy metal-free plating method, which are now used on our products. We have also developed eco-friendlier hydraulic fluid for excavators and have been conducting accelerated life tests for pumps since September. Last but not least, an eco-friendlier plating technique has been developed for hydraulic fittings and bolts used on excavators.

Expand Energy-Saving Technology Applications

Environmental and energy regulations are becoming increasingly stringent in Europe, requiring us to focus on developing energy-efficient and

environmentally friendly technologies and products. The Machine Tools BG introduced a networked control (NC) system that minimizes power consumption by allowing the electricity to be stored in an auxiliary device for use when needed. A closed-loop, hydraulically-controlled pump has been adopted in which the speed varies according to pressure, increasing energy efficiency. One NC system can control several devices at a time, and plays a pivotal role in saving energy by providing electric power incrementally according to operational mode, from Off to Operation. In addition, we will improve resource and energy efficiency and prevent pollution by developing and applying clean production technology, and adopt and implement stricter internal standards so as to comply with environmental laws around the world.

Develop Tier 4 Interim Engine

In December 2011, we completed the development of the Tier 4 Interim engine for construction equipment to meet stricter industrial emission requirements imposed in the U.S. and Europe in 2011. In April 2011, we obtained the EU Stage IIIB emissions certification, and in May and June we acquired the Tier 4 Interim certification from the U.S. Environmental Protection Agency. We also received the Tier 4 Interim emissions certification from the California Air Resources Board last September, satisfying both U.S. and European industrial emission requirements.

Emission-reducing technologies used in the Tier 4 Interim engine include exhaust gas recirculation (EGR) to lower the volume of nitrogen oxide compounds (NOx). The fuel injection pressure was raised, and the diesel particulate filter was also installed to reduce particulate material. On top of that, the common rail system and EDC 17 engine control system were introduced, while performance and emissions were optimized by precisely controlling variable turbine geometry (VTG), EGR valves and throttle valves. During the Tier 4 Interim engine development, we applied for four domestic and international patents (including a piston having the stable behavior of a piston ring for diesel engines). We have applied three of them to the new engines. Mass production began in July 2011, and the engines are being supplied to the Construction Equipment BG for powering excavators and loaders. The DLo8 is mounted on three excavator models (the U300, U340, U380) and the DLo6 is mounted on seven excavator and two loader models. The development and mass-production of the Tier 4 Interim engine has enabled us to further increase the competitive advantage for Doosan engines as well as construction equipment.

- Environment Management
- Research & Development
- Customer Satisfaction
- Human Resource Development
- Organization Culture
- Growth with Suppliers
- Social Contribution



Research & Development

We invest in the future with technological leadership.

Doosan Infracore is preparing for the next 100 years through pioneering R&D, concentrating resources on identifying new business opportunities to develop innovative next-generation products and secure future growth engines. The Institute of Technology is operated at the corporate level, while each BG has its own research units, strengthening core capabilities with a number of professional researchers, and focusing on research and development to build a foundation for long-term growth.

Doosan Infracore R&D Composition

Doosan Infracore R&D Composition	Technology HQ	Product Planning, Technology Innovation, Reliability Evaluation, Technical Management Support, Heavy-duty Product Development, Engine Development, Institute of Technology, Compact Engineering, Machine Tool R&D, etc.
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Doosan Infracore's Institute of Technology

Our Central R&D Center was established in 1981, and we have remained dedicated to improving R&D capabilities ever since, independently developing key product models. R&D investment has increased steadily and the competencies have been acquired to develop top-notch products. In 2007, the Central R&D Center was renamed the Institute of Technology and relocated to Suji in the Yongin area, with easy access to Seoul and its vicinity. The new, advanced research environment is helping us cement our position as a global leader. The main focus is on hybrid power systems, new combustion technologies, electric/electronic systems, intelligent technology, industrial design, virtual design, hydraulic systems, and friction- and abrasion-related technologies.

The Doosan Infracore Institute of Technology and R&D units work to increase the competitiveness of products currently in production; strengthen the common base technologies for developing differentiated products; and develop future-oriented, advanced technologies to preempt risks and secure opportunities in the future. Most of all, we are actively introducing green technologies, involving hybrid powertrains and new combustion systems, to accommodate steadily rising oil prices and ever-stricter environmental regulations. To tackle an aging society, we are also focusing on the development of intelligent automation technologies, including remote-controlled excavators and high-speed, high-precision machine tools.

Create Synergy through Global Collaboration in Engineering

Doosan Infracore's business groups are developing top-quality, next-generation products through collaboration within the global R&D network, raising efficiency and generating synergy. R&D competencies are being raised through the Doosan Infracore Global Experience & Synergy Training (DIGEST) exchange program, which allows research engineers to share their knowledge while on assignment in different regions of the globe. In addition, we are establishing online systems to share and store research experience and knowledge for maximum R&D efficiency.

Secure Technological Leadership through Patents

Doosan Infracore's drive to secure technological leadership resulted in numerous technology registrations and patent applications. In 2011 alone, domestic and foreign patent applications totaled 242 and 59, respectively, including 20 S-grade patents. Meanwhile, our award programs encourage research and foster a creative research environment. Researchers who develop the best patented technologies each year are presented with the Patent Award, and those whose patented inventions help to increase the company's sales revenue and market share receive the Business Patent Award.

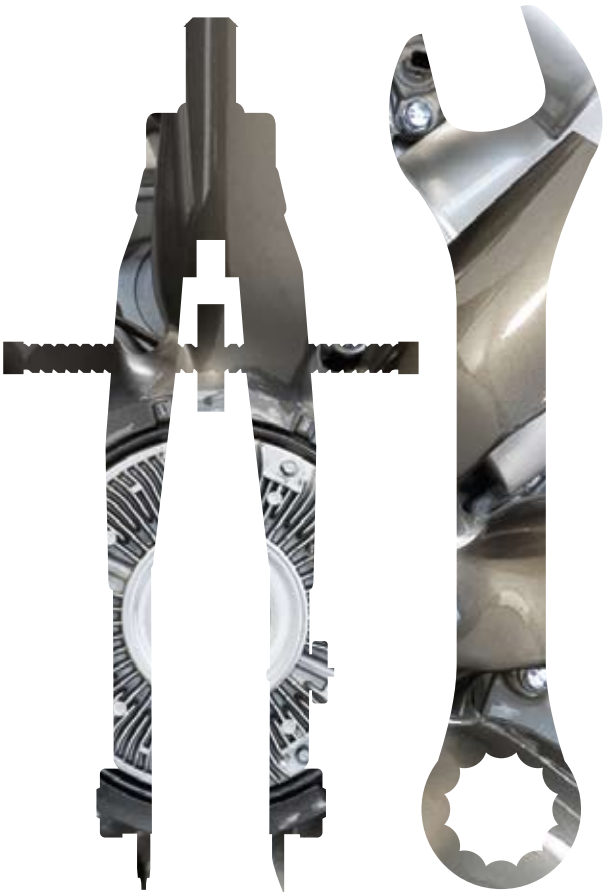
Major Patents Received in 2011

- Device for improving excavator operability on level surfaces and slopes
– Registered patent in China: ZL200780047719.9 (Registration date: June 15, 2011)
- Wear-resistant bearings and their manufacturing methods
– Registered patent in China: ZL200780042829.6 (Registration date: September 7, 2011)
- Device using temperature compensation to measure workpiece dimensions
– Registered patent in Korea: 101025610 (Registration date: March 22, 2011)



- Fender protector for construction equipment
– Registered design in China: ZL201030541419.0 (Registration date: November 2, 2011)
- Radiator grill for heavy-duty equipment
– Registered design in China: ZL201030521451.2 (Registration date: June 29, 2011)

※ A total of 54 patents and design registrations in Korea and overseas markets.



Customer Satisfaction

We realize customer satisfaction through quality and technological innovation.

Doosan Infracore surveys customers to ascertain their requirements at the design stage. This way customers can get the high-quality products they need at the time they are needed. In addition, an enterprise resource planning (ERP) system is in place as part of innovation activities implemented to put the customer-focused thinking and customer-centric management approach into practice.

Quality Management - ISO 9001 QM System

Doosan Infracore has a quality management system (ISO 9001) in place and conducts stringent quality control to deliver premium products that exceed customer expectations. The system has continued quality innovation activities across the board: providing guidance for management innovation and parts quality control, building quality assurance infrastructure and improving product reliability, further auditing quality management, and running a regularly scheduled course at the Quality Academy. All domestic and overseas operations and major suppliers have received the ISO 9001 Certification as a result.

Reliability Evaluation Center - Source of Quality Competitiveness

Doosan Infracore has Korea's largest Reliability Evaluation Center, housing 13 laboratories. The Center has become known as an internationally certified testing and correction agency by acquiring Korea Laboratory Accreditation Scheme (KOLAS) certifications for a total of 126 items in 11 areas, including metal, chemical and nondestructive tests and measuring apparatus correction, since 1996.

The Reliability Evaluation Center has a large anechoic chamber and a vibration test laboratory to assess noise levels of finished vehicles and vibration levels of various rotating objects. The environmental tolerance laboratory assesses the operability of heavy-duty equipment in extreme natural environments and climate conditions around the world. In addition, the Center evaluates and improves product performance and durability by conducting accelerated life tests on excavators and wheel loaders, durability tests on small and large powertrain and hydraulic system parts, and physical property tests on materials. In Center achieves reliability targets by improving the durability of major parts while new models are still under development.



126 cases

Obtained KOLAS certification for 126 items in 11 categories

Global Customer Service Network

Doosan Infracore's network and systems enable prompt response to various customer needs around the globe. Customer satisfaction can be realized anywhere in the world through sales subsidiaries, branches, parts centers, technical support centers and a 4,000-dealer network, as well as large-scale production facilities in Korea, China, the U.S., France, Germany, Belgium, Czech Republic and Norway.

We established an integrated global parts management system by linking the domestic master parts center responsible for supplying parts worldwide with the overseas business network. Additionally, international customer convenience is enhanced by running the system in conjunction with regional parts programs such as DIEU's repair service in Europe and DICC's SAN 150 in China.



Human Resource Development

We support employees’ sustainable growth.

Doosan Infracore values human resources. Under our management philosophy of pursuing a virtuous cycle of business growth through human resources development, we realize sustainable growth and enhance competitiveness by nurturing our employees.

14,376 Employees
(Overseas : 8,889 / Domestic : 5,487
including staff in overseas subsidiaries as of the end of 2011)

Nurture Global Leaders

The Doosan Infracore mission statement is to “nurture global leaders who can drive transformation and innovation in the organization.” To this end, various activities are underway to upgrade both training and HRD operations. We are developing, or have already implemented, diverse training courses on value, leadership, operating globally, and specialized expertise. Employees’ personal growth is also promoted by new academic learning opportunities, the Community of Practice (CoP) program, and a program that helps employees receive professional qualifications.

Aggressive business expansion and enhanced competitive advantages have more than doubled the Doosan Infracore workforce from about 6,500 in 2005 to approximately 14,000 (including staff in overseas subsidiaries) as of the end of 2011. Now non-Korean workers make up more than 60 percent of all employees, as workplaces are becoming more diverse with employees from different nationalities and overseas business continues to expand.

These circumstances require systematic human resource development programs with a roadmap for nurturing talent in each business sector that is up to global standards. In particular, we nurture global leaders through various schemes and programs in today’s fast-paced globalized world. These include: group visits by new recruits to overseas operations (China) as part of their basic training; the Windup Program that offers global insights by benchmarking advanced companies and visiting overseas operations (Europe); the Global Talent Exchange Program; DIGEST exchange program for researchers (U.S.); and Global Frontier regional specialist program. Moreover the GLAD training management portal enables employees to establish their annual personal development plan and carry out capacity-building activities accordingly.

Global Hub ‘GLAD’ for Human Resources Development

GLAD* is Doosan Infracore’s global hub for human resource development. Under the system, members can enhance their capabilities through tailored personal development; team leaders can manage their members in a systematic manner, and division chiefs can provide support for organizational capacity building. We also established e-HRD GLAD, a comprehensive online human resources development system.

Furthermore, we have improved systems for mobile learning and secured contents to stay in step with the latest trends. Efforts will continue in order to satisfy diverse needs and create the best environments for employee capability enhancement.

* GLAD: Global Learning Academy of Doosan Infracore



Organization Culture

We create synergy with the One Doosan culture.

Doosan Infracore strives to cultivate a people-oriented corporate culture, which, we believe, is a prerequisite for sustainable growth. We are also dedicated to facilitating communication within the organization and cultivating leadership. Our goal is to nurture a corporate culture that exudes confidence, builds trust and is fun, as well as to create a workplace where the company and employees grow together. Our efforts in this regard have earned Doosan Infracore the Grand Prize in the Manufacturing segment at the 2011 Korea’s Best 100 Companies to Work awards, hosted by Great Work Place (GWP) Korea.



Channels for Open Communication

Doosan Infracore announced 2011 as the year of corporate culture. Accordingly, we endeavored to improve our culture, promote respect for human dignity, nurture talent, and operate leadership courses for employees at different levels and communication channels.

Multiple vertical and horizontal communication channels were established between management and employees to expand intra-organizational openness. We provided support for improving leadership and communication skills of middle management and team leaders. Moreover, the companywide Winning Team Workshop was organized to stimulate the organizational culture.

Various Welfare Programs

Doosan Infracore offers various benefit programs related to housing and living, childbirth and childcare, medical, health and educational support to improve the quality of life and motivate employees at work. Company-sponsored backpacking trips provide opportunities to experience foreign cultures; employees have access to summer vacation facilities, and Family Day lets employees enjoy quality time with their families. Additionally, voluntary wellness campaigns, a smoking cessation clinic, and employee fitness club promote employee health.



Shared Growth with Suppliers

We realize shared growth with our suppliers.

Doosan Infracore recognizes shared growth with suppliers as a major part of sustainable management and makes this a priority value. Our slogan is to establish win-win collaborations in order to work and grow together. In this spirit, we support suppliers in various ways, helping them advance into overseas markets, providing financial assistance and technical support, and ensuring that business dealings are conducted fairly.

Innovation and R&D Support

The Competitiveness-enhancing Support Unit, composed of executives responsible for production, foreign technical advisors and field experts, oversees innovation activities tailored to suppliers' individual situations. We also provide on-the-job and technical training in association with domestic colleges to strengthen the capabilities and competitiveness of our suppliers.

We teamed up with the Center for Large and Small Business Cooperation under the Federation of Korean Industries (FKI) to introduce the Dr. Management System. The program identifies problems experienced by excellent small- and medium-sized enterprises (primary and secondary suppliers) and provides training and technical assistance in relation to innovation activities. In addition, we share our advanced management techniques, skills and global capabilities with them, elevating their competitiveness in terms of technology and quality.

Financial Assistance

Doosan Infracore spares no effort to ensure the financial soundness and business stability of suppliers. In 2011, we provided financial assistance to our suppliers to promote their financial stability: KRW 3.2 billion in direct investment (in equipment), KRW 18 billion in the Shared Growth Fund, KRW 155.9 billion in network loans, KRW 30 billion in Family Corporate Loans and KRW 7.2 billion in Shared Growth Assurance Funds.

A Culture of Fair Trade

Doosan Infracore continues to provide training and monitoring so employees engage in ethical business practices. In 2002, we introduced the voluntary compliance program to implement fair trade practices across the organization. We also helped our suppliers adopt a voluntary compliance program for fair trade. This program was the first of its kind in Korea, helping to strengthen supplier capabilities and expand fair trade practices among primary and secondary suppliers.



Social Contribution

We contribute to society with a humanitarian spirit and technological prowess

Doosan Infracore is driven by a people-centered corporate philosophy. Our focus is on developing human talent for the future and helping local communities to grow under the Group slogan of “Building Your Tomorrow Today.”

Corporate Values and Philosophy

The Doosan Infracore CSR program is conducted in a specific, strategic direction that blends Doosan Group's corporate philosophy of “People are the future” with a CSR theme of “cultivating human resources and helping people to stand on their own.” These community service activities are not so much about making up for shortages as they are about helping people prepare for their futures.

Support for Future Generations

Among all CSR programs, Doosan Infracore puts the greatest emphasis on those that cultivate human resources. We carry out various social contribution activities that support the talents of future generations. These include employees sharing their talents at the Junior Engineering School and similar education programs, expanding educational infrastructure through MOUs with technical and liberal arts universities, and donating teaching aids such as machine tools for use in classrooms.

– Junior Engineering School

Doosan Infracore engineers at the Doosan Institute of Technology in Yongin have been donating their professional talents in monthly classes for local elementary schoolchildren since 2007. They organize fun experiments designed to instruct and foster interest in science, contributing to local community advancement.

– Dream Start

Doosan Infracore participates in the Dream Start program, which is organized by the Ministry of Health and Welfare to help children from needy families grow into strong and upright members of society. We concluded a cooperative arrangement with the Dream Start Center in Incheon in 2010 and have provided various support programs such as a family invitation event, trips to watch sporting events, and group visits to science museums. Our employees have also volunteered to help out at the Center.



Doosan Infracore is actively involved in a number of worldwide social contribution activities starting at the local level in the communities in which we operate. We provide aid to people in the areas damaged by natural disaster around the world, and donate our resources and talents to help those in needs, all in service of our commitment to being a good corporate citizen within the global community.

Support for Advancing Local Communities

Corporations have a responsibility to the communities in which they operate, and Doosan Infracore believes corporations and communities must grow hand in hand. Therefore, our community service programs continue to be expanded in order to make this happen.

– Dream Community Day

Dream Community Day is held biannually (on the company anniversary and at the end of the year), an opportunity for all employees to take part in some voluntary community service. In 2011, kimchi was made at Doosan Infracore worksites across the country for donation to the needy. Employees also delivered charcoal briquettes for heating and did repair work on homes of low-income families. Special activities were also organized to help the children of these families.

Contribution Activities outside Korea
– Relief Funds after the Earthquake in Japan

A devastating earthquake and tsunami struck the northeast coast of Japan in March 2011, and Doosan Infracore donated about KRW 70 million to the Red Cross in support of the relief effort. Most of the money was voluntarily raised by more than 5,000 employees involved in machine tools and factory automation, areas where Doosan Infracore has many ties with Japanese companies. At the same time, the company sent 10 skid steer loaders and one excavator, along with operators and maintenance people, to Japan help in the cleanup work.



– DIPP Supports Breast Cancer Treatment

The North American dealers for Doosan Infracore Portable Power sold three new products, painted pink, and donated 10 percent of the proceeds (US\$ 6,000 in all) to the Charlotte Affiliate of Susan G. Komen for the Cure®, a breast cancer treatment organization. The products were a P185 air compressor, G25 mobile generator, and Light Source Compact light tower.

– Fargo Offices and Bobcat Dealership Help Fight Flood

The Moorhead, Minn., and Fargo, N.D., U.S., communities have been hit by severe floods during the last few spring seasons, so employees from the Fargo and West Fargo offices pitch in to fill sandbags to hold off the flood waters. In 2011, local rivers rose again, and West Fargo and Fargo employees and Bobcat® dealerships in the area came out to help build levees to protect the city. The City of Fargo originally had 40 compact track loaders on lease, and secured 15 additional units to deal with the flooding. Meanwhile, suppliers in the Fargo area rented more units, bringing the total mobilized for the operation to 75.

– Statesville Office Donates Christmas Toys to Salvation Army

Employees in Statesville, N.C., U.S., took part in a Salvation Army®-sponsored charity drive called Christmas Angel Tree, providing Christmas toys to children of needy families. Office employees collected 500 toys to donate.



Environment Management
Research & Development
Customer Satisfaction
Human Resource Development
Organization Culture
Growth with Suppliers
----- Social Contribution



– Atlanta and Suwanee Offices Support Leukemia Patients

Employees and their family members at the Atlanta and Suwanee, Ga., U.S., offices raised money for the Leukemia & Lymphoma Society's "Light the Night" event. The walkathon raises research funds and support for people battling cancer. Doosan, as an official sponsor, was allowed to put the brand logo on the Light the Night posters and T-shirts. The Atlanta office took part for the second time, donating US\$10,000 provided by the company and another US\$22,000 raised by employees.

– North American Operations Win United Way Award

The Doosan Infracore organization and people in North America have been very active in collection drives for United Way, winning a positive public response. The donations raised by the Bismarck, N.D., U.S., office in 2011 were 234% higher than a year earlier, and United Way presented the office with a plaque of appreciation. The West Fargo office and employees received an Outstanding Campaign Award in recognition of their fine fundraising effort. United Way funds community programs that help people in need and operates more than 1,380 branches nationwide.

Employees at the Bismarck office participated in the United Way Day of Caring event, joining more than 300 volunteers in the Bismarck area to paint, repair, clean, and do yard work for local senior citizens.



TAKING STEPS TO THE NEXT LEVEL

Our highest value is to raise the quality of life for people around the world, and we are committed to realizing that goal. Our corporate social responsibility practices do not only bring results to the company; but they are helping to shape a better future.

Major IR Activities by Doosan Infracore in 2011

- Selected among the best of Korea's listed companies for improvement in corporate governance for the 4th straight year
- Received top award in the Heavy Industries segment at Money Today IR Awards
- Successful refinancing improved Bobcat Company's financial structure

Strategy	52
Independent Auditor's Report (Consolidated)	54
Consolidated Statements of Financial Position	55
Consolidated Statements of Income	57
Consolidated Statements of Comprehensive Income	58
Consolidated Statements of Changes in Equity	59
Consolidated Statements of Cash Flows	60
Independent Auditor's Report (Separate)	62
Separate Statements of Financial Position	63
Separate Statements of Income	65
Separate Statements of Comprehensive Income	66
Separate Statements of Changes in Equity	67
Separate Statements of Cash Flows	68

STRATEGY

We are effectively carrying out our strategic tasks.

Doosan Infracore aims to be ranked among the world’s Top 3 machinery makers by 2020. To this end, a companywide strategic direction and strategic action plans are established at the beginning of every year and carried out systematically.

Strategic Task Accomplishments in 2011

Corporate Culture

- Provided leadership training for middle management and team chiefs; implemented the Leadership Café and Pride Interview program
- Improved the personnel system for researchers; ran academic study, scholarship and Global Frontier programs
- Completed the overall plan and design blueprints for the new Incheon R&D Center, dormitories, and training center
- Improved procedures for meetings, reporting, and obtaining approval; hired 691 new people

Operational Innovation

- Organized integrated quality conferences; developed and applied a new companywide Quality Management System; continued to run a task dedicated to resolving fundamental quality problems
- Established systematic processes for developing new products most efficiently
- Established investment plants for revamping the R&D organization and replacing aging equipment to bolster competencies

Technology Development

- Completed Tier 4 Interim engine for construction equipment, complying with stricter industrial emissions regulations in the U.S. and Europe
- Completed a virtual bleed-off hydraulic system for excavators that lowers fuel consumption
- Completed an environmentally friendlier, next-generation wheel loader (the 25-ton DL45) with high-efficiency offline processing system onboard and optimized powertrain and hydraulic system
- Completed an integrated control system for excavators and wheel loaders and a conversational programming program for machine tools

Helping Suppliers to Grow

- Offered the 3P's and 5C's*, lean production, TQM and Juran quality guidance, and problem-solving programs from dedicated trainers
- Provided work skills courses through universities (281 trainees at 19 suppliers)
- Provided outsourced training courses for new hires (154 trainees at 50 suppliers) - Provided in-house training (on EHS, 3P's and 5C's program, cost control, unit vibration/noise, FTA country of origin management)

- Invited CEOs of (12) suppliers to visit Incheon, Changwon and DICC worksites (on 6 occasions)
- Increased settlement of bills in cash (from 0.4% to 20%) and increased disbursement frequency from once to twice a month
- Offered direct financial support (KRW3.2 billion to 4 suppliers for in facility investments), network loans (approx. KRW155.9 billion) and Family Corporate Loans (contracted amount of KRW30.0 billion); set up a special Shared Growth Fund (KRW18.0 billion), and Shared Growth Assurance Funds (KRW7.2 billion); established the Machinery Industry Shared Growth Promotion Foundation and made a (KRW400 million) contribution to it
- Supported technology development (34 new model joint development projects at 26 suppliers, 20 parts localization projects at 11 suppliers, 6 OEM and module projects at 6 suppliers, KRW27.8 billion to 298 fixture suppliers, technology licenses on 4 occasions to 2 suppliers, joint technology R&D for 1 supplier to advance overseas, technology escrow assistance to 6 suppliers)
- Sponsored the Management Doctor program (5 primary suppliers and 3 secondary suppliers)
- Sponsored a jobs fair to attract talent (8 primary suppliers 1 and secondary supplier)
- Supported participation in Korea Machinery Fair (6 primary suppliers)
- Provide health examinations for employees at most suppliers (115 persons at 51 primary suppliers, 70 persons at 26 secondary suppliers)
- Allow suppliers to purchase Doosan machine tools on interest-free installment plans (13 suppliers, saving KRW100M in interest payments)
- Helped 13 primary suppliers adopted a compliance program

Global System

- Carried out DICE integration, implemented the PI/ERP project in 4 stages at the Engines and Construction Equipment BGs
- Established a standardized operation cost system (Purchasing Cost Table publication, Financial Task Force activities)
- Opened an FTA country of origin management system, responded to Korea-EU FTA, completed preparations for Korea-US FTA
- Published sustainability report, joined DJSI Asia-Pacific, Sustinvest and Eco-Frontier named outstanding companies

Strategic Direction and Tasks for 2012

Improving the technology and upgrading the technology of mid-sized and heavy construction equipment models will lay the groundwork for Doosan Infracore to join the ranks of the world’s Top 3 machinery makers by 2020. To this end, a major restructuring took place in 2011. The company-level Institute of Technology and research units at the Engines and Construction Equipment BGs established a collaborating structure covering both technology and products, and a tighter and more consistent companywide quality control system was put into place.

■ Marshaling Technology Competencies by Integrating the Technology Organization

Mid-sized and heavy construction equipment R&D operations, engines R&D operations, and all the R&D competencies at the Institute of Technology have been brought together. Investment has also been increased in the development of advanced and platform technologies. Cooperation has been stepped up between the Construction Equipment and Engines BGs to establish development targets, strategies and processes as well.

■ New Quality Organization Provides Stronger Checks & Balances in Technology Operations

We have brought together our standout quality for mid-size and heavy construction equipment and engines with our quality assurance competencies to bolster our capabilities to analyze and address the root causes of quality issues. At the same time, technology competitiveness is being raised by the initiation of cost and productivity improvement activities linked to quality as well as by the checks and balances provided by the Technology Division.

■ Initiating Technology and Quality Improvement under the CEO’s Watchful Eye

Going forward, the Doosan Infracore CEO will be firmly committed to and focused on improving technology and quality governing mid-sized and heavy construction equipment

■ Global Product Planning Led by Construction Equipment BG; Front-line Competitiveness Strengthened by Region

The Construction Equipment BG CEO is leading the global Product Management (PM) integration project. The goal is to continue improving the front line (Marketing, Sales, AM, Sourcing, Operations) of the regional headquarters system and raise the global competitiveness of mid-sized and heavy construction equipment models.

■ The Institute of Technology operates in tandem with R&D units at each BG. R&D activities, led by the numerous specialized research engineers, are conducted with the aim of strengthening core competencies and building a long-term growth platform.

Strategic Markets/Business Focus

- Resources are being redistributed according to strategic priorities, while products and services are being introduced in accordance with the voices of the customers (VOC) in strategic markets, thereby maximizing short-term results.

Alignment of Products and Technologies

- Seeking to maximize business growth by reinforcing product and technology strategies
- Strengthening competencies for Voice of Customer-based product planning (targeted product, quality and price marketing, as well as product management)

Quality and Cost Control Drive

- Establish processes and systems for controlling quality and costs
 - Control quality and cost in advance through the NPD management system
 - Build a system for implementing Total Quality Management (TQM) continuously
 - Build a system for controlling costs in all product processes

Cultivating Technology Competencies

- Select outstanding R&D people for additional specialized training in order to secure core technological expertise.
 - Find exceptional science and engineering talent early through the BK21 project and scholarship programs with universities
 - Run more than 60 courses on specialized technologies and the Techno MBA program
 - Run the Academy of Innovative Technology (AIT), an outsourced training program for people in R&D, held at specialized institutions
- Build efficient R&D infrastructure
 - Elevate R&D synergy by building a Global Product Data Management (PDM) system, a process innovation & spec management system, and a DMU system
 - Continue to boost technology and product competitiveness as well as raise R&D system efficiency. For example, establish an effective R&D system that strengthens technology competencies and promotes cooperation among BGs
 - Establish a new Technology Division and Quality Division, thereby building a system of technology and product cooperation that encompasses the Institute of Technology, Engines BG and Construction Equipment BG
 - Enhance development quality assurance and problem-solving competencies; adhere to a standardized system; establish and reach development quality and cost targets

Build Organizational Infrastructure

- Develop and implement a leadership program that internalizes the Doosan Way, thereby disseminating Doosan’s core values
- Expand the global talent pool through the overseas experiential program
- Communicate with strategically important stakeholders related to PR, brand and IR

* Proper Items, Proper Quantity and Proper Place(3P)
Composition, Coordination, Cleaning, Cleanliness, Carriage of attitude(5C)

Independent Auditor’s Report

To the Shareholders and Board of Directors of
Doosan Infracore Co., Ltd.:

We have audited the accompanying consolidated financial statements of Doosan Infracore Co., Ltd. and subsidiaries (the “Company”). The financial statements consist of the consolidated statement of financial position as of December 31, 2011 and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, all expressed in Korean Won, for the year ended December 31, 2011. The Company’s management is responsible for the preparation and fair presentation of the consolidated financial statements and our responsibility is to express an opinion on these consolidated financial statements based on our audit. In addition, the consolidated financial statements of the Company as of and for the year ended December 31, 2010, were audited by us, as per our report dated March 31, 2011. We expressed an unqualified opinion on those statements. Such financial statements do not reflect the transition effects to Korean International Financial Reporting Standards (“K-IFRS”) as described in Note 5 in the accompanying financial statements. However, the consolidated financial statements of the Company as of and for the year ended December 31, 2010 presented for comparative purposes, in the accompanying financial statements, reflect such transition effects to K-IFRS.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and the results of its operations and its cash flows for the year ended December 31, 2011, in conformity with Korean International Financial Reporting Standards (“K-IFRS”).

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

Deloitte Amjin

March 22, 2012

This report is effective as of March 22, 2012, the auditors’ report date. Certain subsequent events or circumstances may have occurred between the auditors’ report date and the time the auditors’ report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modification to the auditors’ report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2011,
DECEMBER 31, 2010 AND
JANUARY 1, 2010

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES

(In Korean Won)

	December 31, 2011		December 31, 2010		January 1, 2010
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	₩	624,031,624,968	₩	476,739,286,538	₩ 397,211,404,607
Short-term financial instruments		118,138,828,715		43,119,201,919	35,301,261,177
Short-term investment securities		1,200,000,000		23,622,412,492	85,793,268,651
Trade and other receivables, less allowance for doubtful accounts		1,569,429,050,863		1,625,964,274,025	1,233,014,439,536
Derivative assets		19,307,871,952		27,005,401,925	190,507,850,999
Inventories		1,782,004,735,816		1,419,409,646,022	1,144,195,230,246
Assets held for sale		2,645,196,447		-	-
Other current assets		115,772,755,421		239,842,754,497	630,938,410,773
Total Current Assets		4,232,530,064,182		3,855,702,977,418	3,716,961,865,989
NON-CURRENT ASSETS:					
Long-term financial instruments		11,500,000		17,088,554,837	17,750,603,166
Long-term investment securities		2,461,782,534		31,228,448,894	31,530,185,794
Long-term trade and other receivables, less allowance for doubtful accounts		6,648,162,487		12,619,128,412	1,815,460,747
Property, plant and equipment, net		1,907,310,779,496		1,803,040,090,743	1,787,228,487,234
Intangible assets		5,038,112,718,225		5,014,232,827,110	5,257,044,121,878
Investment property		29,032,623,853		29,281,131,928	29,529,640,003
Investment in joint ventures and associates		163,787,811,240		90,430,634,400	81,891,696,133
Deferred income tax assets		189,780,215,316		66,780,067,752	51,337,591,374
Other non-current assets		133,998,974,130		91,193,493,156	65,310,731,050
Total Non-current Assets		7,471,144,567,281		7,155,894,377,232	7,323,438,517,379
TOTAL ASSETS	₩	11,703,674,631,463	₩	11,011,597,354,650	₩ 11,040,400,383,368

(Continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2011,
DECEMBER 31, 2010 AND
JANUARY 1, 2010

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES

(In Korean Won)

	December 31, 2011	December 31, 2010	January 1, 2010
LIABILITIES AND EQUITY			
CURRENT LIABILITIES :			
Trade and other payables	₩ 1,918,021,666,401	₩ 1,665,503,098,744	₩ 1,168,113,916,753
Short-term borrowings	616,572,690,475	600,840,987,688	1,047,586,792,189
Current portion of bonds	232,824,289,736	434,932,023,062	461,715,293,534
Current portion of long-term borrowings	1,149,062,279,887	166,187,223,006	177,708,479,323
Income taxes payable	121,456,321,048	54,764,458,719	79,567,242,509
Derivative liabilities	22,851,007,390	15,596,507,661	118,338,477,168
Provisions	171,514,008,843	171,770,473,032	116,252,944,410
Other current liabilities	240,863,881,723	202,402,668,544	252,314,458,542
Total Current Liabilities	4,473,166,145,503	3,311,997,440,456	3,421,597,604,428
NON-CURRENT LIABILITIES :			
Bonds	1,594,857,576,069	700,732,217,048	666,594,608,077
Long-term borrowings	2,451,412,211,189	4,180,468,557,556	4,319,785,730,703
Other non-current payables	2,287,962,219	373,952,589,453	258,531,726,577
Retirement benefit obligation	758,148,077,218	601,252,615,326	539,741,059,714
Non-current derivative liabilities	286,042,423	3,787,257,389	14,905,341,311
Deferred income tax liabilities	45,568,743,327	-	92,012,119,295
Non-current provisions	4,430,255,524	278,351,040	5,597,512,674
Other non-current liabilities	88,316,589,243	81,590,508,318	60,968,521,933
Total Non-current Liabilities	4,945,307,457,212	5,942,062,096,130	5,958,136,620,284
Total Liabilities	9,418,473,602,715	9,254,059,536,586	9,379,734,224,712
EQUITY:			
Capital stock	842,779,420,000	842,242,420,000	841,543,420,000
Capital surplus	8,288,339,555	5,298,993,755	1,960,219,955
Other equity items	94,339,619,629	(73,759,338,761)	(95,316,128,195)
Accumulated other comprehensive income(loss)	(42,494,821,600)	(107,243,585,324)	(95,178,235,004)
Retained earnings	942,153,278,515	784,485,229,405	616,643,065,804
Equity attributable to owners of the parent	1,845,065,836,099	1,451,023,719,075	1,269,652,342,560
Non-controlling interests	440,135,192,649	306,514,098,989	391,013,816,096
Total Equity	2,285,201,028,748	1,757,537,818,064	1,660,666,158,656
TOTAL LIABILITIES AND EQUITY	₩ 11,703,674,631,463	₩ 11,011,597,354,650	₩ 11,040,400,383,368

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES

(In Korean Won)

	2011	2010
SALES	₩ 8,463,085,724,023	₩ 7,481,919,077,531
COST OF SALES	6,615,691,255,830	5,694,997,953,287
GROSS PROFIT	1,847,394,468,193	1,786,921,124,244
Selling and administrative expenses	1,168,334,690,402	1,061,248,958,594
Other operating income	85,021,885,970	105,101,933,667
Other operating expense	55,628,057,056	154,275,578,668
OPERATING INCOME	708,453,606,705	676,498,520,649
Share of profit(loss) of associates	4,845,287,022	(11,923,087,326)
Loss on disposal of investment in joint ventures and associates	(6,771,471,314)	-
Gain on disposal of investment in subsidiaries	4,907,819,621	-
Finance income	175,052,455,482	378,443,785,488
Finance expense	601,234,228,163	828,895,441,070
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE	285,253,469,353	214,123,777,741
INCOME TAX EXPENSE	78,313,983,623	88,614,328,805
INCOME FROM CONTINUING OPERATIONS	206,939,485,730	125,509,448,936
INCOME FROM DISCONTINUED OPERATIONS	103,870,554,756	32,230,582,922
NET INCOME	₩ 310,810,040,486	₩ 157,740,031,858
Attributable to:		
Owners of the parent	₩ 298,223,624,003	₩ 209,750,263,534
Non-controlling interests	₩ 12,586,416,483	₩ (52,010,231,676)
EARNINGS PER SHARE:		
From continuing operations		
Basic	₩ 1,153	₩ 1,054
Diluted	₩ 1,153	₩ 1,054
From continuing and discontinued operations		
Basic	₩ 1,769	₩ 1,245
Diluted	₩ 1,769	₩ 1,245

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES			(In Korean Won)	
	2011		2010	
NET INCOME	₩	310,810,040,486	₩	157,740,031,858
OTHER COMPREHENSIVE INCOME				
Actuarial gains and losses		(156,771,019,333)		(58,632,090,406)
Gain on valuation of available-for-sale financial assets		(42,746,482)		(142,712,683)
Increase(decrease) in equity of associates		2,523,942,012		2,643,453,341
Gain(loss) on foreign operations translation		72,531,233,167		(104,758,884,443)
Gain on valuation of cash flow hedge derivatives		(22,083,178,035)		34,604,506,121
Loss on valuation of cash flow hedge derivatives		6,108,041,726		32,266,949,237
Total other comprehensive income(loss)		(97,733,726,945)		(94,018,778,833)
TOTAL COMPREHENSIVE INCOME	₩	213,076,313,541	₩	63,721,253,025
Owners of the parent	₩	222,416,812,834	₩	151,029,409,777
Non-controlling interests	(₩	9,340,499,293)	(₩	87,308,156,752)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES								(In Korean Won)	
	Capital stock	Capital surplus	Other equity items	Accumulated other comprehensive income (loss)	Retained earnings(deficit)	Non-controlling interests	Total		
Balance at January 1, 2010	₩841,543,420,000	₩1,960,219,955	(₩95,316,128,195)	(₩95,178,235,004)	₩616,643,065,804	₩391,013,816,096	₩1,660,666,158,656		
Net income	-	-	-	-	209,750,263,534	(52,010,231,676)	157,740,031,858		
Actuarial losses	-	-	-	-	(46,655,503,437)	(11,976,586,969)	(58,632,090,406)		
Share options	699,000,000	3,338,773,800	2,005,898,971	-	-	-	6,043,672,771		
Gain(loss) on valuation of available-for-sale financial assets, net	-	-	-	(142,712,683)	-	-	(142,712,683)		
Increase in equity of associates	-	-	-	2,643,453,341	-	-	2,643,453,341		
Loss on translation of foreign operations	-	-	-	(86,173,740,526)	-	(18,585,143,917)	(104,758,884,443)		
Gain on valuation of derivatives	-	-	-	34,604,506,121	-	-	34,604,506,121		
Loss on valuation of derivatives	-	-	-	37,003,143,427	-	(4,736,194,190)	32,266,949,237		
Equity transactions amongst subsidiaries	-	-	19,550,890,463	-	-	2,808,439,645	21,147,653,926		
Other	-	-	-	-	4,747,403,504	-	5,959,079,686		
Balance at December 31, 2010	842,242,420,000	5,298,993,755	(73,759,338,761)	(107,243,585,324)	784,485,229,405	306,514,098,989	1,757,537,818,064		
Balance at January 1, 2011	842,242,420,000	5,298,993,755	(73,759,338,761)	(107,243,585,324)	784,485,229,405	306,514,098,989	1,757,537,818,064		
Net income	-	-	-	-	298,223,624,003	12,586,416,483	310,810,040,486		
Actuarial losses	-	-	-	-	(140,555,574,893)	(16,215,444,440)	(156,771,019,333)		
Share options	537,000,000	2,989,345,800	2,826,820,317	-	-	-	6,353,166,117		
Gain(loss) on valuation of available-for-sale financial assets, net	-	-	-	(42,746,482)	-	-	(42,746,482)		
Increase in equity of associates	-	-	-	2,523,942,012	-	-	2,523,942,012		
Gain(loss) on translation of foreign operations	-	-	-	78,242,704,503	-	(5,711,471,336)	72,531,233,167		
Gain on valuation of derivatives	-	-	-	(22,083,178,035)	-	-	(22,083,178,035)		
Loss on valuation of derivatives	-	-	-	6,108,041,726	-	-	6,108,041,726		
Capital increase with consideration in subsidiaries	-	-	(16,218,695,915)	-	-	16,218,695,915	-		
Disposal of interests in subsidiaries	-	-	200,781,992,715	-	-	107,451,738,311	308,233,731,026		
Business transfer amongst consolidated entities	-	-	(13,259,336,389)	-	-	13,259,336,389	-		
Equity transfer amongst consolidated entities	-	-	(6,031,822,338)	-	-	6,031,822,338	-		
Balance at December 31, 2011	₩842,779,420,000	₩8,288,339,555	₩94,339,619,629	(₩42,494,821,600)	₩942,153,278,515	₩440,135,192,649	₩2,285,201,028,748		

CONSOLIDATED STATEMENTS OF CASH FLOWS

		FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010	
DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES		(In Korean Won)	
	2011	2010	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations	₩ 526,735,894,251	₩ 1,638,811,623,058	
Net income	310,810,040,486	157,740,031,858	
Adjustments	646,834,882,386	1,082,408,355,722	
Changes in operating assets and liabilities	(430,909,028,621)	398,663,235,478	
Interest received	24,096,530,961	27,717,120,488	
Interest paid	(325,021,059,608)	(344,039,262,116)	
Income tax paid	(108,625,992,573)	(150,700,010,951)	
Net Cash Provided by Operating Activities	117,185,373,031	1,171,789,470,479	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash inflows from investing activities			
Disposal of short-term financial instruments	23,622,412,492	-	
Disposal of long-term financial instruments	27,650,000,000	359,989,783	
Disposal of property, plant and equipment	62,144,082,589	56,904,381,603	
Disposal of intangible assets	499,670,002	2,170,679,475	
Proceeds from transfer of operations	272,098,559,032	-	
Sub-total	386,014,724,115	59,435,050,861	
Cash outflows for investing activities:			
Increase in short-term financial assets	57,942,571,960	7,817,939,953	
Acquisition of short-term financial instruments	-	25,140,357,492	
Increase in short-term loans	51,041,054,443	6,958,352,961	
Acquisition of investment in joint ventures and associates	73,393,989,467	15,022,389,083	
Increase in long-term financial assets	-	17,156,054,837	
Acquisition of long-term financial instruments	1,544,411,586	1,412,607,230	
Increase in long-term loans	-	1,142,840,132	
Acquisition of property, plant and equipment	426,060,429,897	321,585,588,732	
Acquisition of intangible assets	66,260,324,358	92,079,389,737	
Sub-total	(676,242,781,711)	(488,315,520,157)	
Net Cash Used in Investing Activities	(290,228,057,596)	(428,880,469,296)	

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

		FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010	
DOOSAN INFRACORE CO., LTD. AND SUBSIDIARIES		(In Korean Won)	
	2011	2010	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash inflows from financing activities:			
Increase of borrowings	2,159,864,980,230	2,937,964,471,460	
Issuance of bonds	1,125,790,683,323	468,056,800,000	
Exercise of share option	2,207,040,000	2,480,700,000	
Disposal of interests in subsidiaries	308,233,731,026	1,265,667,000	
Sub-total	3,596,096,434,579	3,409,767,638,460	
Cash outflows for financing activities:			
Repayment of borrowings	2,832,487,832,831	3,606,895,255,951	
Repayment of bonds	435,000,000,000	462,000,000,000	
Sub-total	(3,267,487,832,831)	(4,068,895,255,951)	
Net Cash Provided by (Used in) Financing Activities	328,608,601,748	(659,127,617,491)	
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	(8,273,578,753)	(4,253,501,761)	
NET INCREASE IN CASH AND CASH EQUIVALENTS	147,292,338,430	79,527,881,931	
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	476,739,286,538	397,211,404,607	
CASH AND CASH EQUIVALENTS, END OF THE YEAR	₩ 624,031,624,968	₩ 476,739,286,538	

Independent Auditor’s Report

To the Shareholders and Board of Directors of
Doosan Infracore Co., Ltd.:

We have audited the accompanying separate financial statements of Doosan Infracore Co., Ltd. (the “Company”). The financial statements consist of the separate statement of financial position as of December 31, 2011, and the related separate statement of income, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows, all expressed in Ko-rean Won, for the year ended December 31, 2011. The Company's management is responsible for the preparation and fair presentation of the separate financial statements and our responsibility is to express an opinion on these separate financial statements based on our au-dit. In addition, the separate financial statements of the Company as of and for the year ended December 31, 2010, were audited by us, as per our report dated March 4, 2011. We expressed an unqualified opinion on those statements. Such financial statements do not reflect the transition effects to Korean International Financial Reporting Standards (“K-IFRS”) as described in Note 5 in the accompanying financial statements. However, the separate financial statements of the Company as of and for the year ended December 31, 2010 presented for comparative purposes, in the accompanying financial statements, reflect such transition effects to K-IFRS.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall finan-cial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011, and the results of its operations and its cash flows for the year ended December 31, in conformity with Korean Interna-tional Financial Reporting Standards (“K-IFRS”).

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying separate financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting princi-ples and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying separate financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

Deloitte Amjin

March 22, 2012

This report is effective as of March 22, 2012, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying separate financial statements and may result in modification to the auditors' report.

SEPARATE STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2011,
DECEMBER 31, 2010 AND
JANUARY 1, 2010

DOOSAN INFRACORE CO., LTD.

(In Korean Won)

	December 31, 2011		December 31, 2010		January 1, 2010
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	₩	161,804,233,569	₩	63,882,728,375	₩ 35,869,145,646
Short-term financial instruments		32,247,096,581		40,044,425,311	32,329,981,216
Short-term investment securities		1,200,000,000		-	-
Trade and other receivables, less allowance for doubtful accounts		912,662,318,916		933,313,995,060	714,620,581,423
Derivative assets		19,307,871,952		27,005,401,925	190,507,850,999
Inventories		603,574,889,637		456,525,802,360	357,466,732,335
Assets held for sale		1,675,933,149		-	-
Other current assets		22,949,514,340		166,929,873,848	511,209,440,243
Total Current Assets		1,755,421,858,144		1,687,702,226,879	1,842,003,731,862
NON-CURRENT ASSETS:					
Long-term financial instruments		11,500,000		11,500,000	11,500,000
Long-term investment securities		1,899,785,788		31,226,319,734	31,527,969,734
Other non-current receivables, less allowance for doubtful accounts		114,672,683,819		37,775,212,500	36,195,600,000
Property, plant and equipment, net		1,260,400,794,858		1,271,289,016,620	1,214,136,297,351
Intangible assets		278,057,007,666		212,612,088,313	177,262,283,802
Investment property		29,032,623,853		29,281,131,928	29,529,640,003
Investment in subsidiaries, joint ventures and associates		2,365,903,655,798		1,633,085,522,744	1,564,160,682,063
Other non-current assets		39,175,525,744		11,931,361,288	14,671,470,155
Total Non-current Assets		4,089,153,577,526		3,227,212,153,127	3,067,495,443,108
TOTAL ASSETS	₩	5,844,575,435,670	₩	4,914,914,380,006	₩ 4,909,499,174,970

(Continued)

SEPARATE STATEMENTS OF FINANCIAL POSITION(CONTINUED)

AS OF DECEMBER 31, 2011,
DECEMBER 31, 2010 AND
JANUARY 1, 2010

DOOSAN INFRACORE CO., LTD.

(In Korean Won)

	December 31, 2011		December 31, 2010		January 1, 2010	
LIABILITIES AND EQUITY						
CURRENT LIABILITIES :						
Trade and other payables	₩	691,131,028,352	₩	761,345,719,187	₩	500,096,359,584
Short-term borrowings		124,793,719,903		175,019,638,952		609,926,777,284
Current portion of bonds		232,824,289,736		434,932,023,062		461,715,293,534
Current portion of long-term borrowings		225,323,655,212		165,275,547,841		177,146,333,479
Deferred income taxes payable		57,005,432,512		5,644,424,376		39,184,118,494
Derivative liabilities		436,932,319,506		15,138,264,342		106,940,461,060
Provisions		22,088,921,028		23,627,496,390		10,436,936,007
Other current liabilities		128,072,193,378		95,511,964,070		57,449,192,994
Total Current Liabilities		1,918,171,559,627		1,676,495,078,220		1,962,895,472,436
NON-CURRENT LIABILITIES :						
Bonds		1,594,857,576,069		700,732,217,048		666,594,608,077
Long-term borrowings		473,371,975,696		636,234,341,473		701,356,731,605
Other non-current payables		-		-		2,838,928,030
Retirement benefit obligation		117,225,821,175		84,194,062,326		55,552,983,019
Non-current derivative liabilities		286,042,423		329,479,880,654		268,628,617,470
Income tax liabilities		6,573,669,701		26,896,187,514		28,531,570,223
Other non-current liabilities		45,458,992,319		29,213,825,408		39,942,320,038
Total Non-current Liabilities		2,237,774,077,383		1,806,750,514,423		1,763,445,758,462
Total Liabilities		4,155,945,637,010		3,483,245,592,643		3,726,341,230,898
EQUITY:						
Capital stock		842,779,420,000		842,242,420,000		841,543,420,000
Capital surplus		22,077,027,652		5,298,993,755		1,960,219,955
Other equity items		(30,645,598,038)		5,597,318,258		3,591,419,287
Accumulated other comprehensive income		(37,506,129,338)		(21,488,246,547)		(85,033,373,718)
Retained earnings		891,925,078,384		600,018,301,897		421,096,258,548
Total Equity		1,688,629,798,660		1,431,668,787,363		1,183,157,944,072
TOTAL LIABILITIES AND EQUITY	₩	5,844,575,435,670	₩	4,914,914,380,006	₩	4,909,499,174,970

SEPARATE STATEMENTS OF INCOME

FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

DOOSAN INFRACORE CO., LTD.

(In Korean Won)

	2011		2010	
SALES	₩	4,426,917,140,025	₩	3,879,948,121,493
COST OF SALES		3,473,611,992,603		2,887,206,009,634
GROSS PROFIT		953,305,147,422		992,742,111,859
Selling and administrative expenses		583,928,836,275		463,491,974,000
Other operating income		32,698,430,728		20,269,210,308
Other operating expense		29,668,151,599		59,514,946,910
OPERATING INCOME		372,406,590,276		490,004,401,257
Profit(loss) on disposal of investment in subsidiaries		145,439,954,713		(53,186,427,036)
Finance income		190,306,482,424		378,015,209,778
Finance expense		382,943,650,662		638,360,412,546
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE		325,209,376,751		176,472,771,453
INCOME TAX EXPENSE		81,632,442,230		5,740,063,851
INCOME FROM CONTINUING OPERATIONS		243,576,934,521		170,732,707,602
INCOME FROM DISCONTINUED OPERATIONS		70,227,457,107		18,925,314,785
NET INCOME		313,804,391,628		189,658,022,387
Diluted earnings per share from continuing operations				
EARNINGS PER SHARE				
From continuing operations				
Basic	₩	1,445	₩	1,014
Diluted	₩	1,445	₩	1,014
From continuing and discontinued operations				
Basic	₩	1,862	₩	1,126
Diluted	₩	1,862	₩	1,126

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010	
DOOSAN INFRACORE CO., LTD.		(In Korean Won)	
	2011	2010	
NET INCOME	₩ 313,804,391,628	₩ 189,658,022,387	
OTHER COMPREHENSIVE INCOME			
Actuarial losses	(21,897,615,141)	(15,483,382,541)	
Loss on valuation of available-for-sale financial assets	(42,746,482)	(142,712,683)	
Gain(loss) on valuation of cash flow hedge derivatives	(15,975,136,309)	63,687,839,854	
Total other comprehensive income(loss)	(37,915,497,932)	48,061,744,630	
TOTAL COMPREHENSIVE INCOME	₩ 275,888,893,696	₩ 237,719,767,017	

SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010						
DOOSAN INFRACORE CO., LTD.						
(In Korean Won)						
	Capital stock	Capital surplus	Other equity items	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2010	₩841,543,420,000	₩1,960,219,955	₩3,591,419,287	(₩85,033,373,718)	₩421,096,258,548	₩1,183,157,944,072
Net inome	-	-	-	-	189,658,022,387	189,658,022,387
Actuarial losses	-	-	-	-	(15,483,382,541)	(15,483,382,541)
Share options	699,000,000	3,338,773,800	2,005,898,971	-	-	6,043,672,771
Loss on valuation of available-for-sale financial assets, net	-	-	-	(142,712,683)	-	(142,712,683)
Gain on valuation of cash flow hedge derivatives, net	-	-	-	63,687,839,854	-	63,687,839,854
Other	-	-	-	-	4,747,403,503	4,747,403,503
Balance at December 31, 2010	842,242,420,000	5,298,993,755	5,597,318,258	(21,488,246,547)	600,018,301,897	1,431,668,787,363
Balance at January 1, 2011	842,242,420,000	5,298,993,755	5,597,318,258	(21,488,246,547)	600,018,301,897	1,431,668,787,363
Net income	-	-	-	-	313,804,391,628	313,804,391,628
Actuarial losses	-	-	-	-	(21,897,615,141)	(21,897,615,141)
Share options	537,000,000	2,989,345,800	2,826,820,317	-	-	6,353,166,117
Transfer of operation amongst consolidated entities	-	-	(39,069,736,613)	-	-	(39,069,736,613)
Changes by merger	-	13,788,688,097	-	-	-	13,788,688,097
Loss on valuation of available-for-sale financial assets, net	-	-	-	(42,746,482)	-	(42,746,482)
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(15,975,136,309)	-	(15,975,136,309)
Balance at December 31, 2011	₩842,779,420,000	₩22,077,027,652	(₩30,645,598,038)	(₩37,506,129,338)	₩891,925,078,384	₩1,688,629,798,660

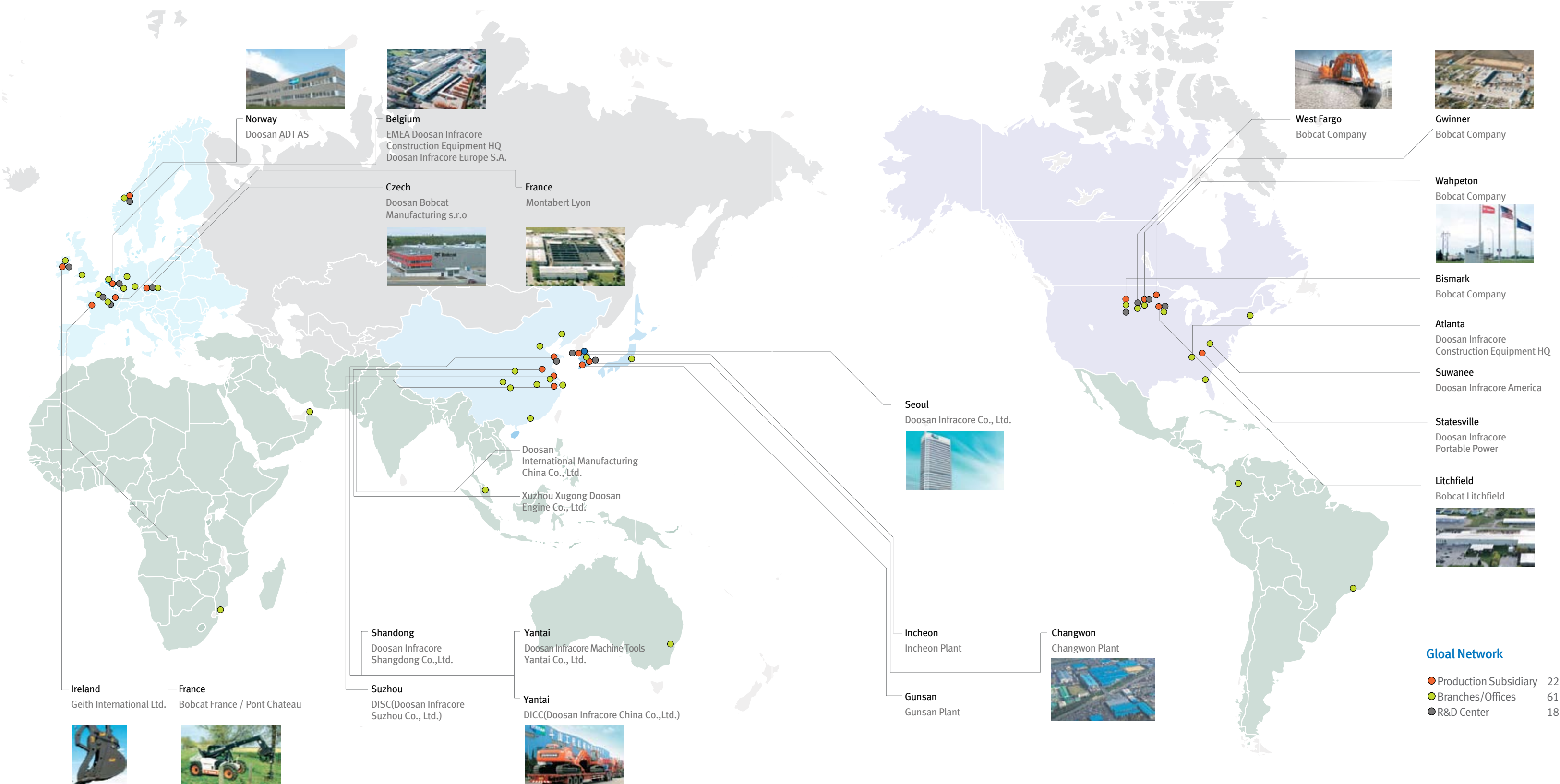
SEPARATE STATEMENTS OF CASH FLOWS

		FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010	
DOOSAN INFRACORE CO., LTD.		(In Korean Won)	
	2011	2010	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations	₩ 241,724,188,157	₩ 931,882,818,289	
Net income	313,804,391,628	189,658,022,387	
Adjustments	187,769,735,233	577,237,756,215	
Changes in operating assets and liabilities	(259,849,938,704)	164,987,039,687	
Interest received	16,659,822,821	12,953,123,919	
Interest paid	(117,512,959,103)	(143,206,956,198)	
Dividend received	37,939,500,000	62,841,940,299	
Income tax paid	(66,896,116,986)	(34,789,300,726)	
Net Cash Provided by Operating Activities	111,914,434,889	829,681,625,583	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash inflows from investing activities			
Decrease in short-term financial instruments	7,797,328,730	-	
Decrease in loans	-	1,015,700,000	
Disposal of long-term investment securities	27,650,000,000	359,802,883	
Disposal of property, plant and equipment	7,913,259,968	7,285,403,999	
Disposal of intangible assets	465,657,706	21,608,200	
Disposal of interests in subsidiaries	190,000,000,000	46,881,483,156	
Proceeds from transfer of operations	216,357,543,407	-	
Sub-total	450,183,789,811	55,563,998,238	
Cash outflows for investing activities:			
Acquisition of short-term financial instruments	-	7,714,444,095	
Increase in loans	19,309,300,000	3,459,900,000	
Acquisition of long-term investment securities	31,460,000	1,412,607,230	
Acquisition of property, plant and equipment	154,793,984,884	127,298,552,651	
Acquisition of intangible assets	55,413,229,797	64,516,566,958	
Acquisition of interests in subsidiaries and associates	774,013,801,428	167,858,523,698	
Sub-total	(1,003,561,776,109)	(372,260,594,632)	
Net Cash Used in Investing Activities	(553,377,986,298)	(316,696,596,394)	
(Continued)			

SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)

		FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010	
DOOSAN INFRACORE CO., LTD.		(In Korean Won)	
	2011	2010	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash inflows from financing activities:			
Increase of borrowings	1,077,868,449,530	1,740,174,797,485	
Issuance of bonds	1,125,790,683,323	468,056,800,000	
Exercise of share option	2,207,040,000	2,480,700,000	
Sub-total	2,205,866,172,853	2,210,712,297,485	
Cash outflows for financing activities:			
Repayment of borrowings	1,231,293,606,337	2,233,682,977,008	
Repayment of bonds	435,000,000,000	462,000,000,000	
Sub-total	(1,666,293,606,337)	(2,695,682,977,008)	
Net Cash Provided by (Used in) Financing Activities	539,572,566,516	(484,970,679,523)	
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	(187,509,913)	(766,937)	
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,921,505,194	28,013,582,729	
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	63,882,728,375	35,869,145,646	
CASH AND CASH EQUIVALENTS, END OF THE YEAR	₩ 161,804,233,569	₩ 63,882,728,375	

Global Network





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