



Doosan Infracore

## On the Frontier of the World's Infrastructure

Our vision is to rank among the **Top 5** in the global infrastructure support business and be one of the **world's Top 3** construction equipment manufacturers.

Doosan Infracore Annual Report 2008

[www.doosaninfracore.com](http://www.doosaninfracore.com)  
[www.doosaninfra.com](http://www.doosaninfra.com)



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History

[ Foundation and Development ]

- June 1937 Founded Chosun Machine Works
- Aug. 1966 Listed on the Korean Stock Exchange
- May 1975 Completed the construction of Incheon Diesel Engine Factory
- Aug. 1977 Completed the construction of Changwon Machine Tools Factory
- Nov. 1977 Completed the construction of Incheon Excavator and Forklift Factory
- Feb. 1981 Established Central R&D Center (Institute of Technology)
- Aug. 1984 Completed the construction of Changwon Defense Equipment Factory
- May 1986 Started mass production of excavator model developed in-house
- Nov. 1990 Established Doosan Infracore Europe S.A. in Belgium
- Apr. 1994 Established Doosan Infracore U.K., Ltd. in the U.K.
- Oct. 1994 Established Doosan Infracore China Co., Ltd. in Shandong, China
- Nov. 1996 Received the Grand Prize in the Korea Quality Awards
- Jan. 1998 Established Doosan Infracore Germany GmbH. in Germany
- Jan. 1998 Established Doosan Infracore America Corp. in the USA
- Apr. 1998 Completed the construction of Forklift Factory in Shandong, China
- July 2003 Established Doosan Infracore Machine Tools Yantai Co., Ltd. in Shandong , China
- Nov. 2004 Awarded the US\$ 1 Billion Export Tower Commemorating the annual Trade Day

[ Rebirth as Doosan Infracore and Remarkable Growth ]

- Apr. 2005 Reborn as Doosan Infracore Co., Ltd.
- Dec. 2005 Established Doosan Infracore Co., Ltd. (Rep. Office) in Dubai
- July 2006 Reached an accumulated production of 300,000 units for Forklift
- Sep. 2006 Established Doosan Infracore (China) Investment Co., Ltd. as a Holding Company
- Oct. 2006 Acquired Doosan Capital Co., Ltd.
- Jan. 2007 Acquired Doosan Mecatec's Machine Tools Division
- Mar. 2007 Acquired CTI, holder of original technology for HCNG engine
- Apr. 2007 Established Doosan Infracore Suzhou Co., Ltd. in Jiangsu, China
- Jun. 2007 Established Doosan Infracore India Pvt. Ltd. in Chennai, India
- July 2007 Acquired Yantai Yuhua Machinery Ltd. in Shandong , China
- Sep. 2007 Established Doosan Infracore International, Inc. (DII)
- Nov. 2007 Acquired Ingersoll-Rand's Compact Construction Equipment Unit together with two other Units
- Nov. 2007 Awarded the US\$ 2 Billion Export Tower commemorating the annual Trade Day
- Sep. 2008 ATL, a German forklift company, acquired
- Nov. 2008 Machine Tool R&D Center established
- Dec. 2008 Moxy Engineering AS, a Norwegian articulated dump truck manufacturer, acquired
- Dec. 2008 A wheel loader plant completed in China
- Dec. 2008 The Defense Products BG is upgraded to independent subsidiary, Doosan Defense Systems & Technology Co., Ltd. (DST)





Profile

To be a **Global ISB Leader**

Chosun Machine Works, Korea’s first large-scale machinery plant, was established in 1937. That event more than 70 years ago marked the starting point for Doosan Infracore, Korea’s top machinery brand today. That plant was the root that eventually grew into the global Doosan organization, which enjoys the most dynamic growth in Korea today.

We are Korea’s foremost machinery maker, unrivalled in each of our business lines: construction equipment, industrial vehicles, machine tools and engines. Our world-class competitiveness is now propelling us to the forefront of the global infrastructure support business (ISB).

We led the development of the Korean machinery industry for decades, gaining the experience and technology necessary to expand rapidly overseas during the 1990s. Our first offshore production subsidiary was established in Belgium in 1990, followed by one in China in 1994. Thereafter, we

continued to build a global network of production and sales subsidiaries, branches, technology support centers and parts centers, along with extensive dealer networks. In the process we took on the stature of a truly global player. The overseas subsidiaries now play a key role in leading our global operations.

Doosan Infracore started out anew as an affiliate of the Doosan Group in April 2005, gaining an opportunity to resume rapid advancement. At that juncture, we declared the new corporate vision of joining the Top Five in the global infrastructure support business, and we have focused our competencies on achieving that goal. Our growth has accelerated thanks to meticulous strategizing and the resolve to see plans through to completion.

Our recent acquisitions of Bobcat, ATL, and Moxy are part of a global growth strategy, and we are now focused on generating synergy with these new units as we rise to global leadership.



Vision and Strategy

How do you **envision** Doosan Infracore in the future?

By completing our strategic tasks and building a platform for global competitiveness, we expect to achieve 10 percent operating profit on ₩10 trillion in sales by 2010. We also expect to accelerate our advance into the global ISB Top Five.

\* Infrastructure Support Business : “ISB” is the core area for driving Doosan’s growth and expanding global operations. We define “ISB” as the facilities and equipment needed for establishing and operating industrial and social infrastructure. The concept encompasses facility and equipment manufacture, parts production, construction, civil engineering, and other related services for developing infrastructure needed in both the public and private sectors.

Vision : Join the Global Top Five in ISB

We are focused on building a platform for global competitiveness with the aim of rising into the ranks of the Top Five in the global infrastructure support business. To this end, we have decided on four strategic directions in which to proceed for the mid-term. These include establishing an operational scale that creates a virtuous cycle, acquiring the most advanced quality levels, continuing to implement operational innovations, and secure global leadership.

Mid-term Goals : 10% Operating Profit on ₩10Trillion in Sales by 2010 (Vision 10-10)

We were re-launched as Doosan Infracore, a member of the Doosan Group, in 2005, and we have been successfully implementing strategic tasks since then. We have achieved our own growth targets while also completing the acquisition of three units (Bobcat, Attachments and Utility) from Ingersoll-Rand. That operation is now known as Doosan Infracore International, or DII. These are tangible results leading up to our reaching the financial growth target we call Vision 10-10.

How are you **shaping the future** of Doosan Infracore?

We have consistently implemented growth strategies, and we have managed to reach our growth targets and improvement objectives until now. For 2009, we are augmenting and strengthening these growth strategies, while focusing on strategic tasks to make the structural improvements we need to be prepared for global economic recovery.





Growth Strategies & Actual Results

Building a Virtuous Cycle :

A virtuous cycle has been created by the enhanced financial performance driven by Chinese operations and the expanded product line-ups from acquisitions and in-house development.

1. Enhanced the Basis for a Virtuous Cycle :

The growth of existing operations and the acquisition of DII have improved our chances of realizing the Vision 10-10 target for financial growth (10% operating profit on ₩10 trillion in sales by 2010).

- The organic growth, led mainly by Chinese operations, and the Bobcat acquisition have provided a springboard for us to emerge as one of the world's Top Three construction equipment makers.
- Quality improvement, cost reduction, higher operationrate of the heavy-duty equipment production lines, and the wider base of captive customers resulting from the Bobcat acquisition have provided mid-/long-term growth momentum for our engine business.

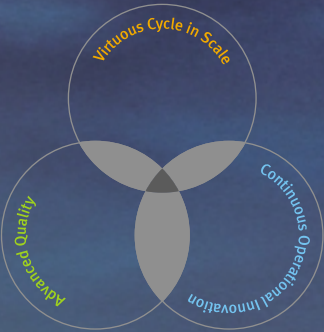
2. Expanded Product Line-ups :

The in-house development of new models and the acquisition of outside companies have enabled us to fill out our product ranges.

- In-house development : Wheel loaders and machine tools designed for the Chinese market.
- Acquisition : Compact construction equipment (Bobcat), articulated dump truck (Moxy).

3. Stronger Presence in Key Markets :

- Our acquisitions have diversified both our markets and our product lines, strengthening our growth platform.
- We are working to increase our share of the North American, European, and Chinese markets.



Global Leadership





## Growth Strategies & Actual Results

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### Ongoing Operational Innovations :

Our operations have reached a high degree of excellence, while production costs have been reduced.

#### 1. Cost-cutting Leadership :

We continue to implement operational innovations and have introduced change management tools in our factories.

- Companywide cost reduction programs such as Design to Target Cost (DTC), Purchasing & Supply Management (PSM), and China Sourcing have improved our cost competitiveness.

- Lean production and other on-site improvement programs have brought tangible results (shorter lead time, improved material flow, higher LOB efficiency, smaller parts inventory, and fewer accidents).

#### 2. Operational Excellence :

We have established a global production strategy and expanding our operational innovation activities to secure sufficient production capacity over the mid-/long term.

- The role for each plant has been defined within the global production strategy. (The Korean facilities serve as "mother plants" and produce the high-end models, while the overseas facilities act as regional hubs.)

- Operational innovations are established at the Korean plants and then expanded to the overseas plants.

### Upgrading Quality :

Quality competitiveness indices will be reached for each business line.

#### 1. Technology Leadership :

Technology strategies are established and implemented to secure future competitiveness.

- Technologies are being acquired for developing industry-leading products and hybrid products.

#### 2. Quality Innovation Strategy :

Internal targets will be met through comprehensive quality improvement activities.

#### 3. Brand Strategy for Differentiated Customer Value :

The migration to the single Doosan brand has been completed.

### Global Leadership :

An HRD platform is being established and key personnel are being secured for operating the organization and running the business.

#### 1. Execution Capability :

The necessary people are being hired to implement strategies effectively; an HRD platform is being built, and advanced work processes are being established.

- The core competency strengthening program (PLP) is being implemented and expanded.

- The ERP system is being installed within the Construction Equipment BG.

#### 2. Globalization :

Infrastructure is being established for cultivating human resource for global operations, and overseas subsidiaries' global competencies are being strengthened.

## Strategic Direction for 2009

1. Technology strategies are established and implemented to secure future competitiveness.

- A program for ongoing cost reduction is being built to cope with market uncertainty.

- The cost of failure is being lowered and quality competitiveness is being raised from the customers' point of view.

2. Risk factors are being minimized.

- A thorough risk management program is being implemented (to include working capital, fixed costs and foreign exchange).

- A systematic market sensing program will enable a faster response to market changes.

3. Structural improvements are being made to secure a leading position when the global economy recovers.

- Technology leadership will be secured to generate a higher price premium.

- Operational infrastructure is being built to secure global leadership.





Message from the CEO

“Every crisis also represents a new opportunity. We are turning the present downturn into a change for rapid growth toward our goal of ranking among the world's Top Five ISB players and Top Three construction equipment makers.”

2008 Management Accomplishments & Performance Results

We experienced a truly tumultuous year in 2008, with rising uncertainty and causes for concern. The liquidity crisis that erupted in the US severely contracted global financial markets, sending the real economy into a tailspin worldwide. Our company, which had remained on the fast growth track since being re-launched as Doosan Infracore, has also seen performance fall off sharply in major markets since the fourth quarter of 2008.

This situation is not expected to improve remarkably in the coming year. Many economists are saying that we face the most difficult period since the US Great Depression of the 1930s. Nations around the world are racing to implement various economic stimulus programs, and corporations are furiously studying ways to escape their crisis situations. We expect the worst to be over after the first quarter of 2009, but additional time will probably be needed before a major recovery takes place.

I, however, have always believed that every crisis is accompanied by opportunity. Examples abound of other big name corporations that have taken advantage of crises to either surge into the top global ranks or to strengthen their industry leadership.

Fortunately, our people have come together under the banner of “A Proud Doosan Infracore on the World Stage” in recent years, and we have consistently pursued a growth strategy. Our concerted effort allowed us to improve our standing in the global market, upgrade our business portfolio, and exceed our targets for quality and price competitiveness. We also consider the current crisis to be an opportunity that leads to a new growth surge, and we are working hard to bolster our competitiveness and further improve our operations in order to be ready when global markets rebound.

As part of our growth strategy in 2008, we completed development of a wheel loader designed specifically for the Chinese market and a diesel engine that complies with the tougher Euro-IV emissions standards. We also expanded our highly competitive product lineups by acquiring Moxy Engineering AS, a Norwegian articulated dump truck manufacturer, and Advanced Technology Lubben (ATL), a German maker of warehouse equipment. All of our product lines continued to be the best sellers in Korea during 2008, and we retained our top share of the Chinese excavator market. We also made important advances in new emerging markets.





Operational innovations brought significant results in 2008. Production costs were lowered by our Design to Target Cost (DTC) and Purchasing & Supply Management (PSM) programs, while quality was raised by upgrades in new product development processes as well as a new approval process before parts go into mass production.

Moreover, our operational capacity was expanded significantly. We opened the largest R&D center dedicated to machine tools in Korea and a new machine tool technical center in India. A wheel loader plant capable of producing 8,000 units a year was completed in China, and a third parts warehouse was built at the Ansan Parts Center in Korea. The Defense Products unit was separated from the company and upgraded to independent subsidiary, allowing the mother company to focus entirely on the infrastructure support business.

These combined efforts reflected positively on our bottom line despite the rapid downturn in the global market. Sales rose 6.5 percent year on year to more than ₩3.96 trillion, and operating profit was up 8.1 percent to ₩347.4 billion. I wish to sincerely thank you, our customers and shareholders, for your support in this endeavor.

2009 Business Plans & Implementation Strategies

The upcoming year will be extremely difficult. Industry watchers expect some signs of an economic rebound in the second half, but the size of the liquidity bubble and the current economic downturn are worldwide. Thus, any recovery that does take place will be weak.

However, our people are no strangers to difficulty. We mustered the strength to revive an operation on the brink of collapse during the Asian currency meltdown a decade ago. Since then we have turned our company into an object of universal envy. I am convinced that our valuable experience and proven potential are sufficient to take us to yet a higher level of success, and I ask for your unwavering support.

This year we will bolster, augment and resolutely execute existing growth strategies to achieve our sales and operating profit target. At the same time, we will complete our prepara-

tions for advancing into the ranks for the world’s Top Five ISB players and Top Three construction equipment manufacturers.

First on this agenda is securing outstanding price and quality competitiveness. Our company has been achieving all the targeted price and quality competitiveness indicators, but we still remain deficient in many areas. Therefore, we must deepen the quality improvements from our operation innovation activities, raise our profitability and elevate our product quality in the eyes of customers.

The second major task we face is to develop technologies that will provide a distinctive competitive edge. In recent years, we have steadily increased R&D expenditures, allowing us to expand our most competitive product lineups. However, more effort is needed to narrow the technology gap with our leading



rivals and secure a unique advantage in the marketplace. We must invest more in technologies that can bring our price premium closer in line with that our leading competitors receive. We must also engage in mid-/long-term development projects in that will prepare us for the eventual market upturn.

Finally, we must build the infrastructure necessary for making Doosan Infracore a top global player. To date, our system for process innovation and enterprise resource planning has advanced well, and we have laid the foundation for a solid human resources development program. However, certain global capabilities are still lacking at both domestic and overseas operations, and we still have a ways to go before our work processes reach the highest levels in the industry. Therefore, we must quickly build a better system to support decision-making, cultivate globally competent people companywide, boost the global competencies of overseas subsidiaries, and place more of our qualified non-Korean people in leadership positions.

Now is the time for us to weather difficult economic times. We are equipped with solid fundamentals, including production facilities at more than twenty locations worldwide as well as a global sales network. Internally, our labor relations are excellent and we are armed with a fighting spirit and self-confidence.

I am confident that we possess the power to turn 2009 into a successful year despite the uncertainty that surrounds us. I ask for your backing as we overcome the unprecedented business downturn we face and take Doosan Infracore to new heights. As the Doosan Infracore CEO, I assure you that we will realize our ambitious vision without fail, and that we will maximize our corporate value to repay you for your support.

Yongsung Kim , President & CEO  
Doosan Infracore Co., Ltd.

Yongsung Kim



## PERFORMANCE & OUTLOOK

[Overview](#)

[Financial Highlights](#)

[Construction Equipment](#)

[Machine Tools](#)

[Forklifts](#)

[Engines & Materials](#)

[Defense Products](#)





Overview

“Doosan Infracore has consistently carried out strategic tasks and has steadily strengthened the foundation for competing globally. In 2009, the growth strategies will be augmented and bolstered to maintain the growth momentum achieved to date. At the same time, the corporate structure will be improved and competitiveness raised to be ready to assume a leading market position once global economic recovery sets in.”

2008 Management Accomplishments & Performance Results

Doosan Infracore got off to a new start after joining the Doosan organization in April 2005 as a key affiliate for leading the Group's infrastructure support business. Our growth has accelerated since then, as we focus intently on establishing a platform for global competition in order to emerge as one of the world's Top Five ISB players. Moreover, the global competencies that we have acquired since joining Doosan have enabled us to continue growing despite the economic crisis in the world today.

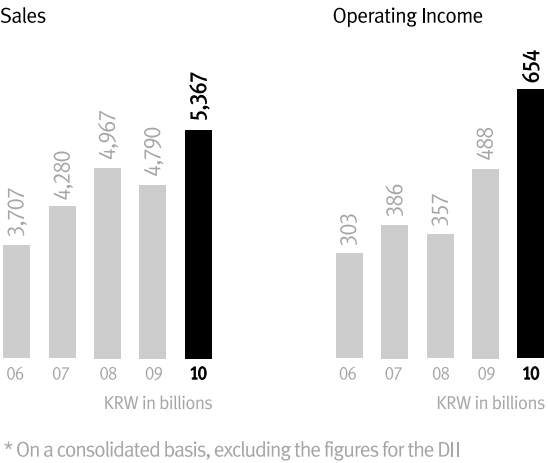
Major overseas markets contracted sharply in 2008, but we still managed to post more than ₩3.96 trillion (US\$3.03 billion) in sales, up 6.5 percent year on year, and ₩347.4 billion (US\$265 million) in operating profit, an 8.1 percent increase over the 2007 figure. This strong showing can be attributed to strategic acquisitions, expanded product lineups, operational improvements, quality enhancements, and aggressive marketing. Importantly,

our sales growth was significant in new emerging markets such as the former CIS, Latin America, Africa, the Middle East, and India.

Original Technologies and Stronger Product Lineups

Our product lineups were expanded tremendously in 2008. We acquired Moxy Engineering, a Norwegian company with articulated dump truck technologies, paving the way into the heavy-duty mining equipment sector, and we added zero-tail-swing excavators ranging between three and eight tons to the lineup.

Our acquisition of ATL, a German maker of electric-powered material-handling equipment, provided another production base in Europe and bolstered our technological competitiveness. We boosted our product competitiveness by adding more Tier III-compliant forklifts to the mix, introducing an AC drive system for electric forklifts, and improving the design of our forklifts for the Chinese market. We also made inroads into the advanced engine markets by completing models that comply with the Euro IV standards and models that run on compressed natural gas (CNG). Our engine lineup was greatly expanded with the addition of eighteen new models altogether.



More Plants and Various New Facilities

Our stature in China's ISB sector rose in 2008. We completed a plant in Shandong with the capability to produce 8,000 wheel loaders, designed specifically for Chinese users, a year. The capacity of our Chinese machine tool plant was also expanded to 2,000 units per annum.

A new Machine Tools R&D Center was completed in Korea to develop machine tool models for the future. A machine tool technical support center was opened in India as we stepped up our advance into the local market an improved our abilities to satisfy customer needs.

Finally, we built a CNG engine plant in the US to step up our involvement in this business in North America. Moreover, a third warehouse was completed at the Ansan Parts Center in Korea, which serves as the "master supplier" of parts worldwide. These new facilities support the growth of Doosan Infracore into a leading global enterprise.

Continued Operational Improvement and Competitiveness Enhancement

We initiated an ongoing operational innovation program at our domestic plants in 2006, and the productivity, quality and production cost indices have all improved since then. In 2008, we began to disseminate our experience and know-how in operational process improvement, expanding the program to the plants in China and Europe. The Machine Tools BG won a Korean Presidential Commendation for its efforts to help suppliers to reduce the defect rate in their parts production. Meanwhile, DOOINS, an advanced ERP system, was officially launched in November 2008 as part of efforts to build the operational infrastructure necessary to compete head to head with the world's leading ISB players.

Management Goals and Strategies

2009 Sales Target: ₩3.47 trillion

Considering uncertainties in the global economy, we have set rather conservative performance targets for 2009: over ₩3.47 trillion (US\$2.90 billion) in sales, a 1.2 percent increase year on year, and operating profit of ₩375.2 billion (US\$313 million) up, 13 percent from the 2008 figure. (The 2008 results and 2009 targets have been calculated after subtracting the results for the Defense Products BG, which was spun off to create a separate subsidiary in December 2008.)

Our company has remained on a steady growth track since being re-launched as part of the Doosan Group. We are now focused on improving our fundamental strengths

and competitiveness to continue our steady growth and be prepared to secure a leading position once the global economy recovers. Our goals are to achieve greater qualitative improvements from our operational innovation program; achieve product quality improvements that the customers recognize; and raise our productivity, profitability and quality competitiveness.

At the same time, we will minimize the risk factors we face during this time of global economic uncertainty. Our risk management activities will be tightened with regard to working capital, fixed assets and exchange rates. We will also develop comprehensive market sensing capabilities to get a jump on market changes. In addition, our focus is on securing technological leadership and building advanced management infrastructure to elevate our fundamental competitiveness.



Financial Highlights

\* All figures are based on the exchange rate posted on the last trading day of the corresponding year.

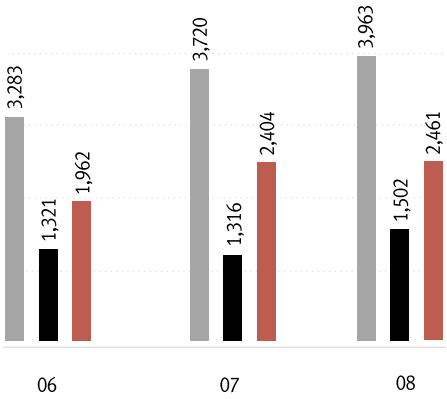
Key Management Index					
	2008		2007		
Sales	3,963	3,025	3,720	3,991	
Operating Income	347	265	321	345	
Ordinary Profit	-85	-65	286	307	
Net Profit	-122	-93	180	193	
Shareholder's Equity	1,546	1,180	1,109	1,190	
Total Assets	4,926	3,760	3,207	3,441	
	KRW in billions	USD in millions	KRW in billions	USD in millions	

2008 Sales by Business Group		
	KRW in billions	%
Construction Equipment	1,419	36
Machine Tools	921	23
Forklifts	461	12
Total Sales 3,963 (USD 3,025 mil.)		
Engines & Materials	456	12
Defense Products	532	13
The Others	175	4

Sales Trend  
(Domestic and Export)

KRW in billions

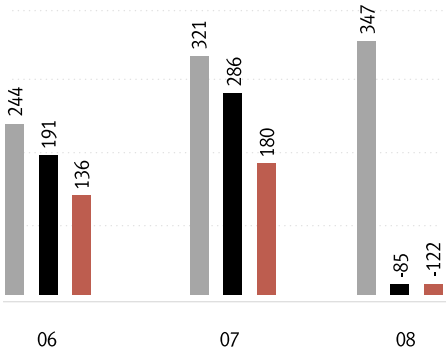
- Sales
- Domestic
- Export



Operating Income,  
Ordinary Profit and  
Net Profit Trend

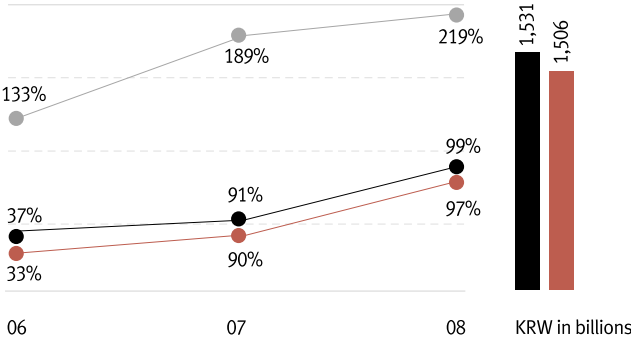
KRW in billions

- Operating Income
- Ordinary Profit
- Net Profit

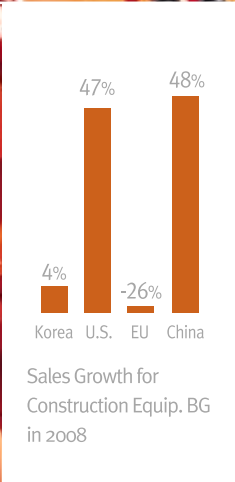


Financial Status

- Debt Ratio
- Borrowing Ratio
- Net Borrowing Ratio







Construction Equipment BG

“Global Top 3 in Construction Equipment”

2008 Results and 2009 Outlook

“Global Top 3 in Construction Equipment”

The Construction Equipment BG recorded sales of just under ₩1.42 trillion (US\$1.08 billion) in 2008, a 3.4 percent increase from the previous year despite the global economic downturn. Domestic sales, driven by strong replacement demand for excavators, rose 3.7 year on year percent to reach commanding 44 percent market share. Overseas, the BG struggled in Europe, a mainstay market, but recorded significant sales growth in China, which is rapidly rising to become the world's largest market; as well as in the new emerging markets of the former CIS, India, Latin America and Africa. As a result, overall overseas sales rose 3.3 percent from 2007 to more than ₩1.16 trillion (US\$883 million). Importantly, Doosan Infracore held a 19.2 percent share of the Chinese excavator market in 2008, maintaining the top position for the seventh consecutive year.

The Construction Equipment BG will focus on becoming one of the world's top three construction equipment makers and will serve as the leading engine for driving the growth of the Doosan Group's infrastructure support business. The global construction equipment market is

expected to show negative growth in 2009, but the Construction Equipment BG will pursue a strategy for steady growth and aims to achieve more than ₩1.44 trillion in sales, a 1.3% increase from the previous year. At the same time, a concerted effort will be made to generate maximum synergy with DII (Bobcat, DI Portable Power).

To meet the 2009 goals, the Construction Equipment BG will seek to increase its dominance of the Chinese excavator market and aggressively go after the advanced overseas markets with new products and a high-end lineup. In preparation for a prolonged global economic downturn, the BG will bolster fundamental competencies by expanding the global dealer network and parts supply infrastructure as well as by better market sensing capabilities. Ongoing operational innovations at domestic and overseas plants will also help raise global competitiveness.

Moreover, the Construction Equipment BG will work hard to maximize synergy with DII to become one of the global top 3 construction equipment manufacturers as quickly as possible. The BG and DII will generate synergy through shared services related to global sourcing, financing, human resources and information technology. In addition, competencies will be raised with regard to the dealer networks, after-sales services and the parts business to accelerate the BG's advance into the ranks of the global Top Three.



Current Status

“Global Top 3 in Construction Equipment”

The Construction Equipment BG leads the infrastructure support business, a major growth driver for all of Doosan and at the heart of the Group's global operations. The BG started producing excavators in 1977 and subsequently expanded the lineup and business scope through technology and quality improvement to maintain the leading share of the Korean market. The overseas production and sales networks have been growing steadily since 1990, and the groundwork has been laid for global leadership.

Development of the first in-house excavator model was completed in 1985, followed by a succession of new models that have earned the BG recognition for high quality and performance. Global standards governing the environmental performance and quality of construction equipment have continued to tighten in recent years. The Construction Equipment BG has remained in step by developing models that are friendlier to the environment and by producing construction equipment under a very strict quality assurance regime. These achievements have resulted in various environmental and quality related certifications, including ISO 9001, ISO 14001, Outdoor Noise Directive, GS, and EN 45001.

Major Achievements in 2008

New Acquisitions & Enhanced Competitiveness

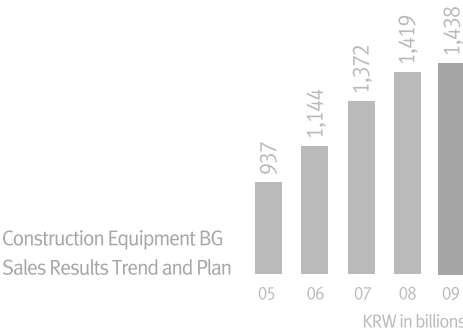
- Moxo Engineering, with original technologies for articulated dump trucks, was purchased to obtain a platform for entering the heavy-duty construction equipment segment.
- Tongmyung Mottrol was acquired to secure core technologies related to parts.

The Construction Equipment BG's concerted efforts have led to the development of the next-generation products and rapid growth. The BG completed the advanced DX excavator series in 2005; the DL wheel loader series in 2006; and augmented the zero-tail-swing excavator lineup of 2.7- and 3.5-ton models with 3-, 6-, and 8-ton versions in 2008. Overseas sales have increased sharply as a result, and the ongoing expansion of the business scope and high-end lineups has brightened prospects for continued growth in the future. The Construction Equipment BG also acquired Moxo Engineering, with articulated dump truck technologies, in 2008. A new wheel loader plant with an annual production capacity of 8,000 units also went into production in Shandong, China at the end of the year. The BG, which already holds the top share of the Chinese excavator market, is now poised to do the same with wheel loaders.

The ability to compete with the global leaders has been enhanced by implementing operation innovation programs at both domestic and overseas operations. These include excavator plants with a total annual capacity of 30,400 units (10,000 in Korea, 17,900 in China, and 2,500 in Belgium), wheel loader plants with total output of 9,500 units a year (1,500 in Korea and 8,000 in China), and the skid steer loader plant that can produce 1,500 units per annum. Currently, the Construction Equipment BG high quality, high-performance product portfolio encompasses twenty-three excavator models (between 1 and 47 tons), eight wheel loader models, five skid steer loader models and four articulated dump truck models.

New Product Development and Plant Construction

- Wheel loader models were developed exclusively for the Chinese market, and a wheel loader factory with an annual production capacity of 8,000 units was completed in China.
- Zero-tail-swing excavator models were developed, and the high-end lineup was expanded: 3-, 6-, and 8-ton models were added to the existing 2.7- and 3.5-ton models.



Major Products

Excavators / Wheel Loaders / Skid Steer Loaders / Articulated Dump Trucks



Participated in Conexpo 2008, Las Vegas (Mar.)

Acquired Moxo Engineering, a Norwegian company with articulated dump truck technology (Dec.)



Machine Tools BG

“A Top Global Player in Machine Tools”

2008 Results and 2009 Outlook

“A Top Global Player in Machine Tools”

The Machine Tools BG fared relatively well in 2008 despite the sudden drop in demand that was triggered by the global economic crisis. The BG recorded sales of ₩920.7 billion (US\$703 million), slightly higher the figure posted for the previous year. This achievement can be attributed to the priority placed on catering to customer needs by releasing new models at the right time, providing efficient after-sales service and improving quality and price competitiveness. The Machine Tools BG boosted brand value by participating in the major international shows (SIMTOS, CIMES, and IMTS) and by hosting its own exhibitions and technology seminars, notably the TT/MX Open House Show and China DIMF.

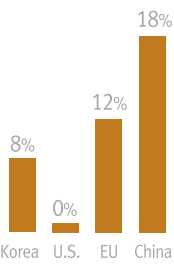
Domestic sales grew 7.6 percent to reach commanding 48 percent market share, thanks to increased demand for machine tools in the shipbuilding, heavy equipment, wind power generation and general machinery sectors. Accordingly, Doosan's position as Korea's top machine tool brand was further strengthened. The pace of export growth slowed with the global economic slowdown and market contraction, but sales were strong nonetheless in North America, where demand for high-end models was higher; as well as in emerging markets such as China, the former CIS, India and Latin America. As a result, the BG's total sales in 2008 were about the same as they had been a year earlier.

The Machine Tools BG will focus on bolstering global competitiveness in 2009 to overcome uncertainties in the

global economy and on laying a solid growth platform for rising to the top ranks of the industry. Operational innovation activities will continue and major internal competencies (R&D, production, sales, and quality) will be strengthened to achieve a 2009 sales target of ₩964.5 billion, up 4.8 percent from 2008. At the same time, the BG will be ready to assume a leading market position after the world economy recovers.

The Machine Tools BG will reinforce the more lucrative high-end product lineup to elevate product reliability and make further inroads into the advanced markets. Various sales promotions will be aimed at emerging markets as well. Importantly, the Doosan International Machine Tools Fair (DIMF) will be held in Korea in 2009, showcasing a wide range of next-generation models and new products such as Swiss turning machines, electrical discharge machines and double-column machining centers in the machining of very large workpieces. The BG aims to be a technology trendsetter for the global machine tools industry and will open additional technical centers around the world to bolster customer support capabilities.

In 2008, the BG completed Korea's largest R&D center dedicated to machine tools. This facility will be at the heart of an R&D network that links other research institutions inside and outside the country. The ability to develop fundamental technologies and production technologies will be reinforced and the market sensing function will be expanded to raise competitiveness. A profitable business structure will be maintained and enhanced by increasing the sales volume of value-added, large-sized models as well as multifunction machining and turning centers and by stepping up the Purchasing & Supply Management (PSM), Design-to-Cost (DTC) and Lean Production programs. At the same time, the BG will also diversify the lineup to accommodate demand in the aerospace, defense, oilfield & gas field development and medical equipment industries. This will set the stage for the Machine Tools BG to become one of the world's top players.



Sales Growth for Machine Tools BG in 2008



Current Status

“A Top Global Player in Machine Tools”

The Machine Tools BG is a top-class machine tool manufacturer that applies high-speed, high-precision machining technology to advance the global machinery industry. The BG began making machine tools in 1976, and has diversified the product portfolio steadily and rapidly to include turning centers, machining centers, NC boring machines, electric discharge machines, nano-precision aspheric turning centers, nano-precision freeform surface machines, and automation systems.

In-house development of the first turning center was completed in 1980, followed by key products such as machine centers, NC boring machines and ultra-precision aspheric turning centers. The BG introduced 28 new turning center models in 1997, and from that time has hosted an in-house international exhibition biennially to introduce new products and reinforce its stature as a world-class technology leader.

Major Achievements in 2008

Korea's largest machine tools R&D center is completed to develop future-oriented machine tool models.

The output capacity of the factory in China was increased to 2,000 units per year.

The BG's general-purpose turning centers and machining centers, which are mainstay product lines, are now technologically unrivalled. Moreover, the value-added models in the Doosan lineup are on a par with competing models from the world leaders. Recently, the Machine Tools BG introduced numerous high-end models, including inverted vertical turning centers, multitasking turning centers, ultra-high-speed (50,000rpm) machining centers, nano-precision aspheric turning centers, and nano-precision freeform surface machines. These new products have been enthusiastically received in the marketplace.

The Machine Tools BG is also applying cutting-edge machine tool technology to become a major player in automated systems and multitasking machines.

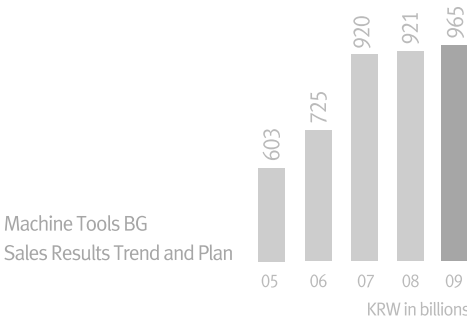
Doosan machine tools are formally recognized for their excellent quality and environmental friendliness. They have been ISO 9001, ISO 14001, CE, UL, EMI, and EMC certified. Combined annual production capacity stands at 14,600 units (12,600 in Korea and 2,000 in China). The global machine tool operation includes sales subsidiaries, branches, technology centers, and an extensive dealer network. As such the Machine Tools BG is ready to satisfy diverse customer requirements around the world.

A machine tools technical center is established in India.

- Customers can receive close technology support and more high-end models can be sold.
- Tailored customer services and routine visits to customers will be offered.

Major Products

Turning Centers / Machining Centers / Ultra-Precision Aspheric Turning Centers / NC Borings / Electric Discharge Machines / 5 Axis Machining Centers / FMS / Machining Systems / Assembly Systems







# Global Top 5

Material handling equipment

## Forklifts BG

“Global Top Five in Forklifts”

### 2008 Results and 2009 Outlook

“Global Top Five in Forklifts”

The Forklifts BG introduced new versions of every forklift model in the lineup and forecasted a significant growth in sales. However, the global economic crisis in the second half of 2008 caused forklift demand to plummet, and the actual 2008 sales fell short of expectations.

The BG originally set its sales growth goal at 7 percent after building an advanced lineup, improving overseas dealer competencies and bolstering the sales network, and introducing price-competitive forklifts made in China in the global market. However, sales for the year actually totaled ₩461 billion (US\$352 million), an 8 percent decline from the previous year. In Korea, sales were higher year on year, and the BG captured a 52 percent market share, strengthening its leadership position.

In the coming year, the Forklifts BG will focus competencies on improving global competitiveness and raising profitability to be ready for achieving an advantageous position once the global economy turns around. These efforts will also help to accelerate the BG's advance into the ranks of the world's Top Five forklift manufacturers.

To this end, securing cost competitiveness has become the top priority. The contracted size of the global market in the wake of the economic downturn has intensified competition over price, and the Forklifts BG is responding by implementing operational innovations to cut costs in every area. More parts will be sourced from China, and the cost competitiveness of mainstay models will be secured. Efforts will be made to find niche markets around the world for forklifts made in China, which enjoy a competitive price advantage.

At the same time, the Forklifts BG will improve competitiveness and profitability by developing heavy-duty models and models with a high margin. Initially, new heavy-duty forklifts will be developed for the Korean market, and then the development program will expand to include models designed specifically for export as well as the very largest models available. Thus, the high-end lineup will be reinforced steadily, and the Forklifts BG will compete head-on with its leading rivals around the world.

Plans also call for a major strengthening of European operations. Local operational competencies and the ability to execute strategic tasks will be improved, and synergy will be maximized with ATM (current DILE), the German warehouse equipment maker acquired in 2008. Output capacity at DILE will be expanded over the long term to bolster the BG's capability to produce forklifts locally in Europe and accelerate the growth of the business there.



Current Status

“Global Top Five in Forklifts”

The Forklifts BG started out in 1967 and over time developed a portfolio that encompasses diesel-, gasoline-, LPG- and electric-powered models. In the process, the BG contributed significantly to the advancement of the Korean material handling equipment industry. Annual production today stands at 35,000 units (26,000 in Korea, 7,000 in China and 2,000 in Europe), and the lineup spans more than 150 high-quality forklift models.

The first in-house model was completed in 1993 and since then engines, transmissions, hydraulic systems and oil-cooled disc brake systems have been developed. In recent years, the BG has introduced a steady stream of new models boasting some of the best performance and durability in the industry. Ergonomic designs have raised the product image, while upgraded comfort and operator convenience features have made Doosan forklifts popular with owners and operators around the world.

Major Achievements in 2008

ATL of German is acquired (currently DILE).

- A production base is secured in Europe and the lineup of dedicated material handling equipment is expanded.
- The BG’s position in the European market is strengthened.

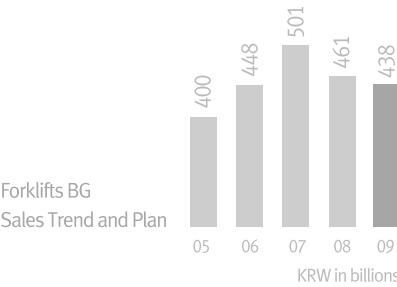
The Forklifts BG has long been committed to developing models that are environment-friendly, thereby remaining ahead of the ever-stricter regulations governing quality and environmental standards. The forklifts are produced under a strict quality assurance system and have been certified for ISO 9001, ISO 14001, UL, CE, EMC and the EC Noise Directive. In the process, Doosan’s stature has been raised as a world-class maker of material handling equipment.

The BG’s dedication and hard work has resulted in the development of sophisticated next-generation forklifts boasting unrivalled quality and performance. The new versions introduced in 2007 are at least 10 percent more energy efficient than competing models. Noise, vibration and emissions levels have also been reduced significantly, for greater environment friendliness.

The Forklifts BG will continue to advance as a top-class forklift maker, strengthen global competitiveness and secure greater growth potential. The global business network continues to expand, including overseas plants and sales subsidiaries, branches, parts centers, and dealer networks. The ongoing development of new models and expansion of the high-end lineups will enable the BG to compete effectively against the biggest names in the business.

Market competitiveness is raised.

- Costs are lowered in all areas (for greater cost competitiveness).
- Exports of Chinese-made forklifts are increased (taking advantage of their strong price competitiveness).



Major Products

Diesel Engine Forklifts / Gasoline-LPG Engine Forklifts / Electric Powered Forklifts



ALT, a German maker of warehouse equipment, is acquired (Oct.)

First D70G IC Forklift Rolled Out at Yantai (Jun.)





## Engines & Materials BG

“A Top-class Engine Maker”

### 2008 Results and 2009 Outlook

#### “A World-class Engine Maker”

The Engines & Materials BG made great strides despite the global economic crisis in 2008. Operational innovation activities were stepped up; new products were developed; the high-end lineup was expanded and inroads were made into global markets. As a result, sales reached ₩456.2 billion (US\$348 million) in 2008, up 20% from the previous year.

The Korean economy was hit hard by the global economic crisis, and domestic sales for the BG grew only 2.3 percent year on year. However, overseas sales surged 33.4 percent to ₩287.8 billion (US\$220 million), driven by growth in China, which is a major market; the emerging markets of the former CIS, India, and Southeast Asia; and increased orders for generator engines in North America. Profitability rose significantly as well.

The Engines & Materials BG began to penetrate advanced markets more aggressively by releasing Euro IV-compliant models and completing development of 18 new models, including Tier III engines. The BG's compressed natural gas (CNG) engines, which mainly target North America, were approved by the US Environmental Protection Agency and California Air Resources Board, paving the way for North American market entry.

In 2009, the BG will focus on building a growth platform for the mid-/long term and expanding exports to increase sales by 5.9 percent to ₩482.9 billion. At the same time, every effort will be made to accelerate the BG's entry into the ranks of the global elite engine manufacturers. To this end, partnerships will be strengthened with clients inside and outside Korea, and the North American CNG engine business will be expanded. Exports of cost-competitive, Chinese-made engines for commercial vehicles will also be promoted to raise global market share.

Operational innovation will aggressively pursued, and investment will be steadily increased to elevate internal competencies to the same level as the global leaders enjoy. World-class production capabilities will be secured; technology and cost competitiveness will be boosted; sales and after-sales service networks will be expanded, and market sensing capabilities will be elevated. The BG will cultivate new overseas markets and improve its systems to be ready for the upcoming market turnaround.

An important R&D goal is to complete small and mid-sized engines that meet the Tier IV emission standards by 2012, thereby securing a growth platform for the mid-/long term. The BG aims for annual sales of ₩1.5 trillion by 2013, which would put its squarely in the ranks of the world's leading engine makers.



Current Status

“A World-class Engine Maker”

The Engines & Materials BG began working in the diesel engine business in 1958. The R&D capabilities and production technology amassed since then have led Korea’s diesel engine industry. The BG established a mass-production facility in 1975, completed its first in-house model in 1985, and grew into Korea’s foremost maker of diesel engines.

Today, the massive operation encompasses facilities for engine assembly, materials production and parts machining. The product portfolio includes diverse diesel engine for buses, trucks, industrial applications, power generation, and ships, as well as gas engines for buses, trucks, and power generation. The BG also produces materials for diesel and gasoline engines as well as aircraft, and is involved in the power generation business.

The first low-emission diesel engine was developed in 1995, followed by CNG engines for vehicles in 1998. After the turn of the century, the BG succeeded in developing low-pressure natural gas (LPNG) engines for generators,

sophisticated common rail engines, and Tier III engines for construction equipment. These products are now being supplied to industrial sites around the world.

In 2007, a new model was completed that satisfies the strict Euro IV emission control standards. More recently, CNG engines have been completed for the North American market and approved by the US Environmental Protection Agency. These achievements are testimony to the BG's world-class technology and product quality, which have been certified for ISO 9001, ISO 14001, ISO 18001, EPA, and IMO NOx emissions standards. The BG's marine engines have been authorized by leading ship classification societies, and specific engine models have complied with each level of the Euro and Tier certifications.

Meanwhile, the BG's Materials Group produces engine cylinder blocks, engine cylinder heads, and construction equipment hydraulics. Research activities focus on developing sophisticated new materials and enhancing product reliability.

Annual engine output capacity currently stands at 56,000 units (20,000 near-mid-sized, 24,000 mid-sized, and 12,000 heavy-duty) in 62 different types. To rise to global prominence, the Engines & Materials BG continues to bolster internal competencies and global competitiveness as well as to seek out new growth drivers.

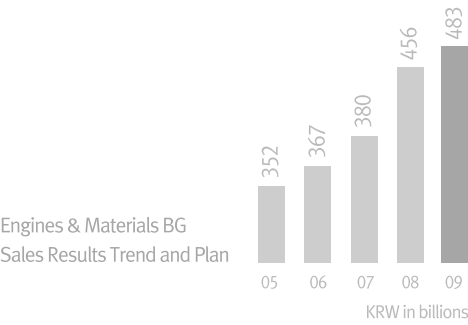
Major Achievements in 2008

A Euro IV-complaint engine is introduced, and annual sales increased.

- The Engines and Materials BG won First Prize at the 1st annual Doosan Technological Excellence Awards.

CNG engine are developed for the North American market, and EPA certification is received.

- The groundwork is laid for advancing into the North American CNG engine market.



Major Products

Diesel and Gas Engines for commercial vehicles, construction equipment, industrial vehicles, generators, vessels and special-purpose applications / Casting Materials for engines and vehicles / Materials for hydraulic parts



Participated in PowerGen International 2008, in the US (Dec.)

Completed the CNG engine factory in the US (Dec.)





# World Best

Defense Industry

## Defense Products BG

“A Top-class Maker of Military Hardware”

### 2008 Results and 2009 Outlook

The Defense Products BG was spun off from Doosan Infracore at the end of December 2008 and made into a wholly-owned subsidiary, Doosan DST. The decision was part of a growth strategy aimed at improving efficiency and performance while building a more transparent management system. The separation came in response to a rapidly changing Korean defense industry. The government now requires defense contractors to be specialized, independent units, and the state-run Agency for Defense Development is reducing its role in defense projects. In the future, Doosan Infracore will focus squarely on the infrastructure support business, while Doosan DST will strengthen its capabilities and secure a competitive edge to become a major defense contractor.

In 2008, the Defense Products BG delivered the second lot of Bi-ho twin 30mm self-propelled anti-aircraft gun systems to post a record ₩532.1 billion (US\$406 million) in sales. This sales figure was 38.7 percent higher than the one achieved in 2007. Moreover, the BG has an order backlog

worth ₩1.7 trillion after signing ₩679.9 billion in new contracts to supply K21 infantry fighting vehicles as well as upgraded Korean infantry fighting vehicles. The new orders ensure that the subsidiary has a stable volume of work for several years.

Doosan DST also acquired commercial rights to core technologies from development projects, providing a future growth engine. Extensive marketing activities will be undertaken in the Middle East and Southeast Asia, and prospects for future exports look bright.

In 2009, Doosan DST will deliver the initial lot of K21 infantry fighting vehicles and lobby for an increased volume of anti-aircraft gun systems as well as a second lot of K21s. New orders are expected to total ₩600 billion for the year.

Investment in new facilities will be increased, and the workforce reinforced to achieve the targets for sales and new contracts. At the same time, Doosan DST will continue to increase R&D investment to create future business and secure new commercial rights. Global marketing capabilities will be enhanced to grow into a leading defense contractor.



Current Status

“A Top-class Maker of Military Hardware”

Doosan Infracore took its first steps into the defense industry in 1973. Since then, the company has played an important role in advancing the nation's defense industry by developing armored fighting vehicles, short-range surface-to-air missile systems, self-propelled anti-aircraft gun systems, launching systems, inertial navigation systems, various (anti-aircraft/anti-ship) naval gun systems, and torpedo launching systems. At the same time, it leads Korean development of altitude and orbit control systems for multipurpose satellites.

The Defense Products BG developed the Korean infantry fighting vehicle (K200) with proprietary technology in 1984 and subsequently expanded the K200 lineup to include mortar carriers, Vulcan APCs, armored recovery vehicles, NBC reconnaissance vehicles, and command & control armored vehicles. These Korean infantry fighting vehicles

were all delivered to the Korean army. In 1993, the K200 infantry fighting vehicles were also delivered to the Malaysian UN peace-keeping forces stationed in Bosnia, demonstrating their superior performance and quality.

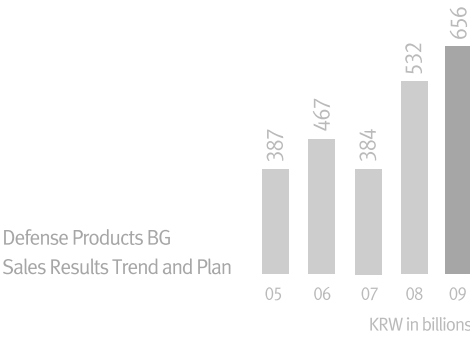
In 1995, the unit raised its competitiveness by completing an upgraded Korean infantry fighting vehicles (K200A1). Then significant strides were taken in anti-aircraft weapons systems with the development of the Biho low-altitude twin 30mm self-propelled anti-aircraft gun system and Chun-ma short-range self-propelled surface-to-air missile system, improving the Korean Army's air defense capabilities considerably. In 2007, the K21 was completed, boasting superior field mobility, firepower, and defensive capabilities and proving industry-leading competitiveness in the mobile weapon system segment.

Preparations are underway to mass produce the K21, and investment is being made to develop a medium-range guided weapon launch system, next-generation armored recovery vehicle and wheeled armored vehicle, enabling Doosan DST to emerge as a major player in the global defense industry.

Major Achievements in 2008

The Defense Products BG is separated from Doosan Infracore and incorporated as an independent business.

The first mass-production order for K21 infantry fighting vehicles is received.



The first mass-production order for K21 infantry fighting vehicles is received (Oct.)

The Defense Products BG is separated from Doosan Infracore and incorporated as an independent business (Dec.)



## GLOBAL OPERATIONS

China

Europe

North America

Overseas Acquisitions &  
Synergy Generation

Global Network

Research & Development

Center for Product Reliability

Quality & Environment Management

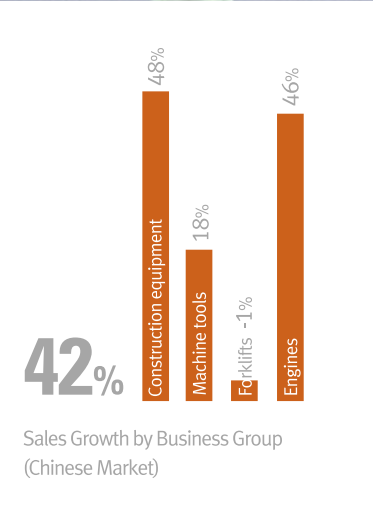
Parts Distribution Center and A/S Service





No. 1

We expect annual sales in China to reach ₩3 trillion by 2010, which will provide a platform for us to lead the Chinese ISB as a whole.



China

"Our success in China has been legendary. We were first to produce and sell an aggregate 60,000 excavators here, have maintained the top share of the Chinese excavator market for seven years and have remained on top of the customer satisfaction index for the past six years. We also enjoy prominent positions in the machine tool, forklift and engine sectors."

No. 1 in Construction Equipment in China

Our differentiated marketing and localization strategies have helped Doosan Infracore to grow rapidly while contributing to Chinese economic development. The steady, explosive growth can be attributed to the superior competitiveness of Doosan construction equipment, machine tools, forklifts, and engines. Despite the global economic crisis, which has hit China hard, our sales were up 42 percent growth during 2008.

Doosan Infracore China Co. (DICC) was established in Shandong in 1994. This production and sales subsidiary for construction equipment and forklifts has built an excavator business that now comfortably leads the Chinese market and remains one of the great success stories of Doosan Infracore.

DICC boasts an annual production capacity of 24,900 units (17,900 excavators and 7,000 forklifts) and a large-scale sales network consisting of three joint venture sales

companies, twelve direct sales branches and a nationwide dealer network. Backed by differentiated growth strategies and localization, DICC's growth continues to accelerate.

Despite global economic crisis in 2008, DICC became the first Chinese company to ever produce and sell 60,000 excavators. The subsidiary has maintained the largest share of the Chinese excavator market for seven consecutive years and has been ranked the highest on the national customer satisfaction index in the excavator category for six years in a row. In 2008, DICC also increased the domestic sales and exports of the forklifts manufactured in China, thereby strengthening its leadership.

Meanwhile, we completed a wheel loader plant with an annual production capacity of 8,000 units in Shandong in 2008. The facility is now producing wheel loaders designed for specifically the Chinese market and presents another opportunity for rapid growth. We aim to become China's leading wheel loader manufacturer and dominate the market for in all excavator models. At the same time, we are introducing the compact Bobcat lines to become China's foremost all-around player in construction equipment.



Leader of Machine Tools in China

Doosan Infracore Machine Tools Yantai (DIY) was established in 2003 and is now extending its dominance of the local machine tool sector. DIY operates state-of-the-art production facilities in Yantai, technology support centers in Beijing and Shanghai, and a dealer network that spans the entire country. The production and sales subsidiary is

leveraging Doosan's outstanding machine tool technology to contribute to China's industrial development. Recently, the capacity of the local machine tool plant was expanded to 2,000 units a year, and more models are being developed to address the specific needs of the Chinese market. Marketing capabilities are being strengthened as well to make DIY the leader of China's machine tool sector.

Leader of ISB in China

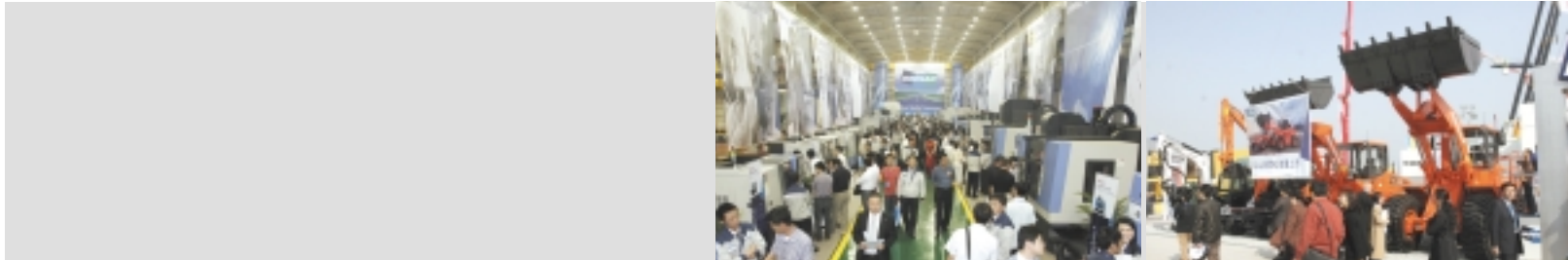
Doosan Infracore China Investment Co. (DICl) was established in Beijing in 2006 to oversee all Chinese operations, including product design and production, logistics, sales and after-sales service. Investment continues to be made to cultivate DICl into a key player in the Doosan Infracore global production system.

We are expanding the business network in China and bolstering local R&D capabilities to turn the production and sale of standardized Chinese products into a global operation. Our business will no longer be led by excavators alone. Instead, all sectors will register strong

growth. Strategic alliances, mergers and acquisitions will also be pursued to accelerate growth, and synergy generated with Bobcat will heighten competitiveness. In the end, China will become a second "home market" for us. We expect annual sales in China to reach ₩3 trillion by 2010, which will provide a platform for us to lead the Chinese infrastructure support business as a whole.

At the same time, we have steadily expanded our social contribution activities in China. For example, we build primary schools in remote regions and support the establishment of international schools for Chinese-Koreans. Our corporate social responsibility programs are promoting a philosophy that stresses mutual prosperity and win-win relationships.

Completed the wheel loader plant in Shandong (Dec.)



Opened China DIMF 2008, Yantai (May)

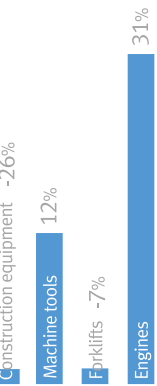
Participated in Bauma China 2008, Shanghai (Nov.)





# Global Leader

Leader of infrastructure support business in Europe



Sales Growth by Business Group (European Market)

## Europe

"Our rapid growth has fueled our success in Europe. Internal growth coupled with the synergy from companies acquired in Europe is propelling us to the forefront of the infrastructure support business."

### Leader of Construction Equipment in Europe

We established Doosan Infracore Europe (DIEU) as a construction equipment and forklift production and sales subsidiary in Belgium in 1990. Since then, an extensive business network has been put in place. Sales subsidiaries, branches, technology support centers, and parts centers have been opened in the UK, Germany, France, Italy, Russia and other European countries. At the same time, we have built up dealer network that covers the entire region.

DIEU serves as the European regional headquarters, overseeing the construction equipment and forklift production, sales, and customer support services. The

subsidiary offers high-quality portfolio that includes excavators, wheel loaders, skid steer loaders and forklifts. Customer needs are met through strict quality control, efficient product support, and 24-hour parts supply.

DIEU's growth strategies include acquiring more special-purpose products and new models that cater to European needs, implementing a differentiated marketing campaign, and stepping up operational innovation activities. The focus is now on creating synergy with Bobcat, with some of the world's most competitive compact construction equipment; Moxy Engineering, with original technologies related to heavy-duty articulated dump trucks; and other recent Doosan Infracore acquisitions. Moreover, competencies are being mobilized to raise the value of the Doosan brand in order to make Doosan a construction equipment leader in Europe.

### One of the Top Three Machine Tool Makers in Europe

The Machine Tools BG is employing a very aggressive growth strategy to rank among the top three in Europe, Doosan Infracore Germany (DIG), a machine tool sales subsidiary established in 1998, is leading this effort as additional operation centers and technical centers are opened throughout Europe to provide complete customer support. The high-end lineup is also being expanded to satisfy customer needs.

We have taken several steps to accelerate our rise to the Top Three machine tool makers in Europe. A new European Headquarters has been established, and its functions as an operation center have been increased. R&D and marketing have been directed toward machine tools that serve the high-growth aerospace, medical equipment, and oilfield development sectors.

### An ISB Leader in Europe

Since starting out anew as a Doosan Group affiliate in 2005, Doosan Infracore broke sales records every year, driven in large part by the strong performance in Europe, a mainstay market. However, the global economic slowdown and resulting contraction of the European market cooled the blistering annual growth, which had exceeded 65 percent in 2007. European sales still totaled ₩919.3 billion in 2008, which was substantial.

Now we are preparing for an economic recovery in Europe by improving our fundamentals and core competencies to boost competitiveness. Innovation activities will continue to be implemented in all processes, from design to purchasing, production and sales. R&D capabilities will be enhanced, and synergy generated with the recent acquisitions such as Bobcat and Moxy Engineering. In the process, we will accelerate our rise to leadership in ISB.



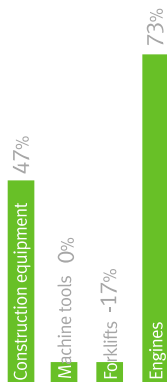


# Top Class

Leader in the grobal infrastructure support business

11%

Sales Growth by Business Group  
(North American Market)



## North America

"North America is both the heart of the global economy and the world's largest market. Our performance here is a yardstick for measuring our progress toward the realization of the corporate vision. We are taking advantage of our superb competitiveness and synergy with DII to make further inroads into the North American market and make the leap to global ISB leader."

## A World Leader in ISB

We established Doosan Infracore America (DIA) in Atlanta in 1993 to secure a local presence in the world's largest market. Since then our operations have expanded throughout the US, Canada and Mexico, and we have bolstered our position amid intense competition from the biggest names in the business.

DIA sells finished products and parts, provides technical support and offers after-sales service. As the regional headquarters for North America, this sales subsidiary plays a key role in strengthening business capabilities in North America and in raising the global competitiveness of the entire company. DIA also satisfies customer needs and offers high-quality products and specialized services through branches in New Jersey and Cleveland; technical centers in Detroit, Chicago, LA, New Jersey, Memphis, and Houston; and a dealer network covering all of North America. In this way, customer trust in Doosan Infracore is enhanced.

Doosan Infracore has faced general difficulties in North America since 2007 because of the economic downturn and market contraction. Despite the adverse conditions,

however, the Engines and Materials BG saw sales rise 73 percent over 2007, and the Construction Equipment BG posted 47 percent sales growth. Overall sales in North America in 2008 were up 11 percent from a year earlier.

The Construction Equipment BG strengthened marketing activities in 2008, focusing on next-generation models and on generating synergy with Bobcat. The BG's share of the North American market rose as a result. The Engines and Materials BG posted a high growth rate from the increased demand for generator engines, and acquired EPA for its CNG engines, paving the way for advancing into the North American gas engine market. The Machine Tools BG also concentrated on selling high-end products to strengthen its presence as one of the Top Five in North America.

In 2009, we will raise awareness of the Doosan brand and customer satisfaction by expanding the sales organization and the deal network in North America. The Construction Equipment and Forklift BGs will enhance raise their competitiveness by promoting strategic new products tailored to North American requirements and generating synergy with Bobcat. The Machine Tools BG will seek out more mid- and large-sized dealers as well as new major clients, while the Engines and Materials BG will go after the diesel and gas engine segments in North America. These efforts will combine to raise the stature of Doosan Infracore in the global infrastructure support business.





## Overseas Acquisitions & Synergy Generation

"Our acquisition of Bobcat, which boasts the world's strongest competitiveness in the compact construction equipment segment, elevated Doosan Infracore to seventh on the list of global construction equipment makers. We also acquired Moxy Engineering, which possesses original technology related to articulated dump trucks, paving the way for Doosan Infracore to become a major player in the market for very large construction and mining equipment."

### Doosan Infracore International, Inc. (DII)

Bobcat, Doosan Infracore Portable Power

As a core strategy for global growth, we completed the takeover of three Ingersoll-Rand units (Bobcat, Attachments, and Utility Equipment) in November 2007 and established Doosan Infracore International, Inc. (DII), a holding company controlling their management. In 2008, DII Attachments was merged with Bobcat, and Utility Equipment was renamed Doosan Infracore Portable Power (DIPP).

Each unit boasts world-leading competitiveness in its respective business, and collectively they operate twelve plants and fifteen R&D centers in America, Europe, and China. They employ 5,000 people at 48 subsidiaries in 23 countries. The products manufactured by the two units under DII are sold through a dealer network spanning 2,700 locations as well as through a directly managed sales organization. They are used in diverse areas such as construction, landscaping, agriculture, mining, various production facilities and the service industries.

Bobcat is the world's leading manufacturer of compact construction equipment and has its global HQ in North Dakota. The company's skid steer loaders, compact truck loaders, mini-loaders, and Toolcats are produced at six

factories in America, Europe, and Asia, and they enjoy the largest share of the world market. Bobcat's compact excavator holds the world's third largest market share. The Attachments unit, now part of the Bobcat organization, also holds the top share of the world market for some 80 items, including buckets, quick couplers, angle brooms, and pallet forks.

Meanwhile, DIPP produces air compressors, lighting systems, and generators used at construction sites. The air compressors are the world's best sellers, and the lighting systems occupy the third largest share of the world market.

Despite the sharp contraction in the North American and European markets in 2008, market shares for mainstay products (skid steer loaders and mini-excavators) increased, and DII posted sales of US\$2.68 billion. In Asia, where Doosan Infracore has a strong presence, synergy drove DII's sales up 30 percent year on year.

The Bobcat acquisition has raised Doosan Infracore's ranking in the world construction equipment industry to seventh place. Overall competitiveness has also been raised in terms of products, markets, technologies and various intangibles. Doosan Infracore and DII will continue to bolster their synergy to achieve the world's best competitiveness, leading to rapid growth worldwide to rank among the world's Top Five in ISB and Top Three in construction equipment at an early date.





Overseas Acquisitions & Synergy Generation

Doosan Moxy Engineering and  
Doosan Infracore Shandong

We completed our acquisition of Moxy Engineering in December 2008, paving the way into the market for heavy-duty mining equipment. Moxy is based in Molde, Norway and owns proprietary technology related to articulated dump trucks ranging from 23 to 46 tons. The company operates a subsidiary in the US and an R&D center in the UK, and is focused on the most advanced markets. The heavy-duty articulated dump trucks are essential equipment in mine development and construction projects conducted on rough terrain.

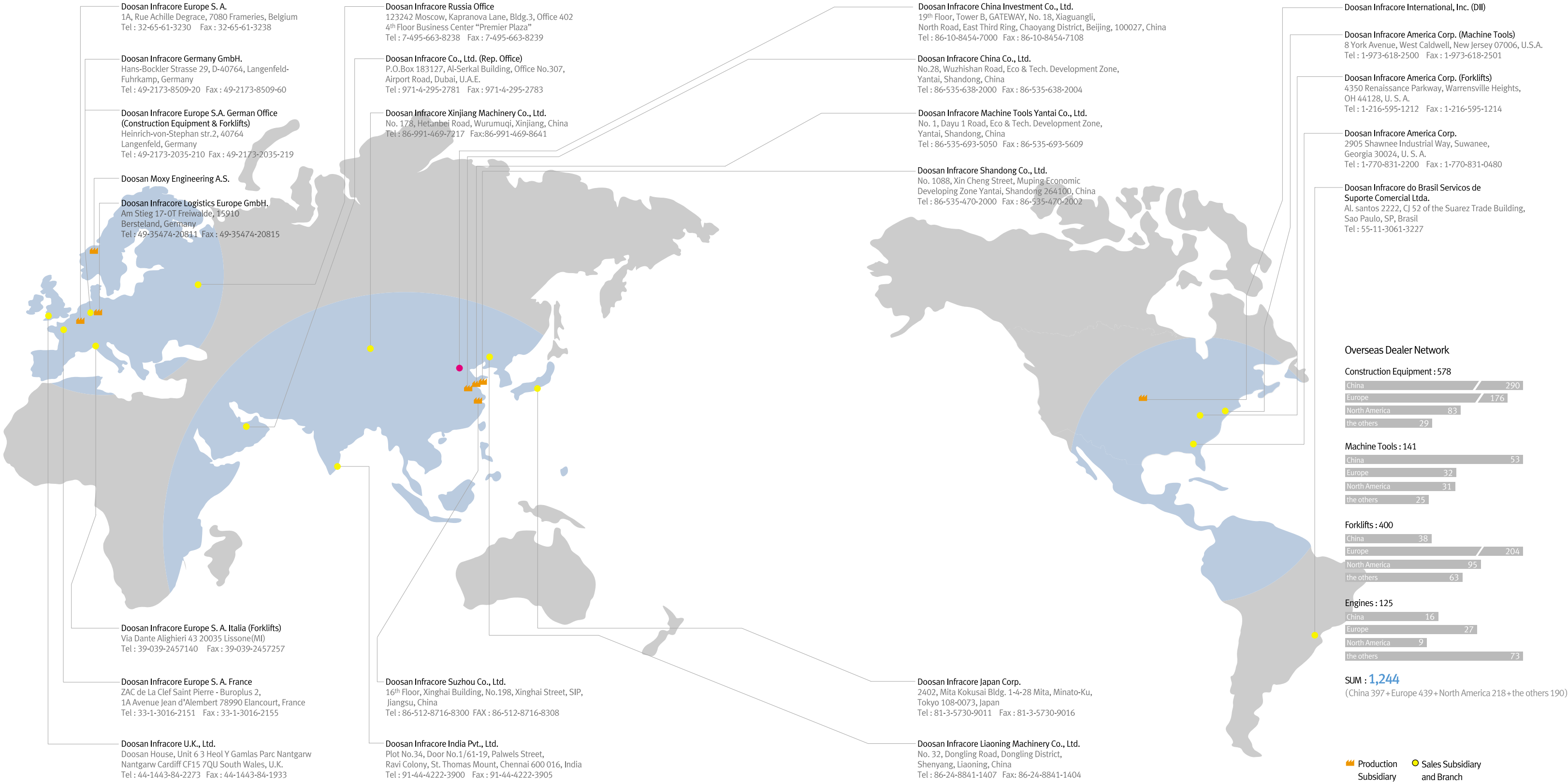
Acquiring Moxy, with global competitiveness in heavy-duty equipment, has bolstered the Doosan Infracore brand image as a leading construction equipment manufacturer. Doosan Infracore and Moxy will use one

another's technologies and dealer networks to expand the heavy-duty equipment lineup and boost sales dramatically. Maximum synergy generation is the key. Moxy's sales are projected to increase to ₩347.2 billion by 2012, an eightfold increase from the 2008 figure. At the same time, Moxy's technology will be applied to Doosan Infracore construction equipment to accelerate growth.

Meanwhile, we are investing heavily into Doosan Infracore Shandong Co., acquired in 2007, to produce wheel loaders for both the Chinese and overseas markets. At the end of last year, we completed a state-of-the-art wheel loader plant capable of annually turning out 8,000 wheel loaders designed specifically for China. The second round of investment will be concluded by 2012, turning the plant into the global production base. Thus, we are raising our internal competitiveness and productivity, while maximizing synergy with our latest acquisitions to make Doosan Infracore one of the global Top Three construction equipment manufacturers.



Global Network





Research & Development

“We continue to invest in R&D in order to acquire the capabilities to develop the world’s best products and secure a platform for long-term growth. As a result, we are enhancing our leadership as a global technology holder.”

Global Technology Leadership

Doosan Infracore is committed to research and development to accelerate our rise to leadership in ISB. Some 800 researchers are currently working at the corporate R&D center and at the research facilities for each BG as part of a drive to enhance product competitiveness and establish a solid basis for long-term growth.

We established the Central Research Institute in 1981, and since then maintained a robust program for developing in-house models for every business line. Our R&D investment has increased steadily since we were re-launched as a Doosan Group affiliate in 2005. In 2007, the corporate center was relocated to Suji (in Gyeonggi Province, Korea) and renamed the Doosan Infracore Institute of Technology. The reorganized facility is focused on five designated research priorities: hybrid powertrains, electronic control systems, virtual design, hydraulic systems and integrated surface technology (IST) in a bid to secure global technology leadership.

The Doosan Infracore Institute of Technology will build a strategic R&D system and expand the topnotch engineer team to raise technology competitiveness to the highest level. The Institute will be tasked with discovering new business areas for the company and developing fundamental technologies to improve current product competitiveness as well as future-oriented technologies to provide a competitive edge with next-generation products and product innovations.

We have devised technology strategies that are linked to corporate strategies and are building a system for acquiring strategic technologies based on the technology roadmap. At the same time talented engineers are being recruited and provided with the support they need to realize their career and vision as dedicated researchers.

Each BG also focuses its own resources on developing products that are high performance, high quality, value added, and environment friendly. Synergy is being generated with the research facilities at overseas affiliates and subsidiaries as well. Recently, these efforts have produced numerous next-generation products with unrivalled competitiveness, and their reception has been excellent in the global marketplace.



Major R&D achievements for each BG are as follows :

Institute of Technology

Preliminary technologies are developed along with platform technologies in cooperation with each BG R&D unit. Technologies are also developed to differentiate Doosan Infracore products from those of the competition.

- Pre-prototype for a hybrid excavator
- High-durability pin & bush system
- Technology for optimizing machine tool structures
- Electronically-controlled hydraulics

Construction Equipment

Product reliability has been enhanced, and improvements have been made in operational efficiency, operator convenience, environmental friendliness and ease of maintenance. The lineup has been expanded to address customer needs better.

- The DX140R medium-sized, zero-tail-swing excavator
- The DL303 and DL503 wheel loaders for China
- Expansion of current lines (DL350, DL450 and DX170W)

Machine Tools

Enhanced exterior designs and ongoing quality improvements have raised the brand image. Additional high-end models are being developed more rapidly, and fundamental technologies have been acquired to elevate product competitiveness

- New multitasking turning centers (MX 2600 and MX3100)
- New heavy-duty vertical turning centers (VT 1100M and VT 1600)
- Next-generation machining centers (DNM 400HS, DNM 500HS and DNM 650HS)
- New die & mold machining centers (DVM 400, DVM 500, DVM 650, and VMD 600/5AX)

Forklifts

New models feature enhanced performance and energy efficiency, better environmental compliance, and greater operator convenience. Competitiveness has been raised by upgrading options and designing models for specific markets.

- Mid-sized engine-type forklifts with Tier III compliance (D40S, D60S and D80S)
- The new D18S, with a Kubota engine instead of the Cummins
- New electric reach (AC motor) models (BR18S, BR18J, BR16JW, and BR25S)
- New forklifts for China (D25Se, D25G, G25G, B25Se and D60G)

Engines and Materials

Four-valve electronically-controlled engines have been developed along with environment friendlier models with higher fuel efficiency and greater quality competitiveness.

- Euro IV-compliant diesels for commercial vehicles and new CNG models
- Tier III-compliant engines for industrial use and new models for power generation
- 4-valve engine for generator
- New engine for DIPP (used in air compressors)
- CNG engines for North America



Center for Product Reliability

“Our rigorous reliability testing ensures that our customers only receive products of excellent quality.”

Reliability Growth

We operating Korea’s largest reliability testing center, with thirteen different laboratories. The facility is tasked with ensuring the reliability of excavators, wheel loaders, forklifts, and diesel engines at each production stage and ultimately with achieving the very highest quality available anywhere.

The Center for Product Reliability has sophisticated machines for testing the handling of excavators and forklifts as well as evaluating the performance and durability of transmissions, axles, reduction gears and other drivetrain components. The large anechoic chamber and vibration test chamber measure operation noise and the vibration levels of rotating parts, helping to improve product environment friendliness.

The climate chamber can simulate weather conditions and natural environments found anywhere in the world to evaluate how long the vehicles can last. The in-house accelerated lifetime testing method and multi-axis

structural tester can estimate the service life of major parts and components. These assets are employed in research to improve product reliability. The Center is also equipped with various machines to analyze the properties of metals, non-metallic materials, rubber, and plastic, thereby managing quality from the earliest stages of new product development. The cyclic corrosion test chamber and endurance tester are used to evaluate changes in material properties under various conditions.

The Center has developed a "Reliability Growth" program that uses various evaluation technologies and the parts durability database. This helps to identify potential quality problems and improve designs before a new product is commercially released.

The Center for Product Reliability was accredited under the Korean government's KOLAS program for testing more than one hundred items in nine areas (metals, chemicals, instrument calibration, non-destructive tests and environmental tests among them), and the validity of the test results is recognized internationally. The Center will continue to develop advanced evaluation technologies and upgrade current testing and evaluation functions to help ensure product reliabilityat each stage of development and raise the competitiveness of the finished products.



Major Research Areas

- Measure product duty cycles and prolong the reliability of new products
- Analyze the strength and durability of structures and parts
- Evaluate the performance and durability of hydraulic parts, drivetrain parts, mechanical parts, electronic/ electric parts, and plastic parts
- Analyze defective parts from the field and research ways to improve materials, heat treatments, welding, and painting
- Analyze the composition of metal and plastic materials, evaluate their properties and perform non-destructive tests
- Use the climate chamber and anechoic chamber to test operation noise as well as the effects of salt water, heat & humidity, thermal shock, vibration and dust
- Develop new reliability test methods and standards for each field, perform research on reliability enhancement



Quality & Environment Management

"We engaged in environmental and quality management activities for every corporate activity. Our consistent goal is to be a trusted company that considers all issues from the customers' perspective, going beyond customer satisfaction to earning public respect."

Customer-oriented Quality Management

We increase our R&D spending each year in order to develop products that exceed customers' expectations and introduce them at the ideal time. The performance testing and reliability evaluations by the Center for Product Reliability enable us to release only those products that have been proved to be of top quality.

Our ISO 9001 QM System was introduced early on to deliver top quality products that truly impress the customer, and our quality improvement activities continue today. We adhere to a strict, customer-oriented quality management policy, have stepped up our operational innovation activities and train our suppliers on ways to improve parts quality. Our quality assurance infrastructure

and product reliability enhancement activities have been strengthened; the quality management system is regularly audited, and an in-house "quality school" offers ongoing classes. As a result, all of our operations around the world as well as those of major suppliers have received ISO 9001 certification.

Since our re-start as a Doosan affiliate in 2005, our innovation activities have reaped significant gains in quality assurance, production, procurement, and design. More recently, we expanded the innovation efforts to the overseas plants, sharing our knowledge and operational improvements to bring Doosan Infracore ever closer to the ranks of the global Top Five ISB companies. We are also intent on elevating customer satisfaction. For example, the Construction Equipment BG has installed the Enterprise Resource Planning (ERP) system as part of an effort to reorient the ways of thinking and doing business toward the customer.

A Global Leader in the Green ISB

We established our companywide environmental directive in 1996 and then proceeded to build and implement an Environmental Management System (ISO 14001 certified), Health & Safety Management System (OHSAS 18001 & KOSHA 18001 certified), and Quality Management System (ISO 9001 certified) in all operations. These efforts have helped to prevent pollution and protect the global environment.

More recently, we established a corporate vision of becoming the "global leader in green ISB." An environmental strategy is now in force that requires us to build cleaner production systems, reduce greenhouse gas emissions, and design eco-friendlier products. As such we are setting new standards within our industry with regard to environmental protection and resource conservation.

Our competencies are now focused on developing new models that require less fossil fuel or run on alternative

energy. We have already completed high-efficiency engines, electronically-controlled hydraulics, and various energy-saving technologies. Significant improvements have been made in the efficiency of our diesel- and gasoline-powered equipment. At the same time, we have made great progress in the realization of hybrid and electric excavators.

These efforts have already resulted in the development of engines that comply with the very strict Euro IV and Tier III regulations in force in Europe and the US. These environment-friendly engines provide high fuel efficiency, great durability, and excellent performance. The economic benefits for the users are maximized while the pollution-causing emissions are minimized. All of our products are developed and manufactured under an Environmental Management System that certified internationally. They satisfy the various environmental regulations imposed by nations around the world.

Regulations governing product quality and environmental protection continue to become stricter worldwide. We continue to develop the technologies and products required to accommodate these restrictions, ensuring our own sustainability while advancing our industry and contributing to global environmental protection.



Major Awards and Certificates  
Related to Quality

- Grand Prize, Korea Quality Award (1996)
- Grand Prize, Precision Calibration Technology Award (2000)
- Diamond Prize, World Best Awards (2000)
- ISO 9001 certification
- Korea Register of Shipping Certification
- Center for Product Reliability certified as a national calibration and testing agency.
- Standardized logistics facility certification from the Ministry of Commerce, Industry & Energy

Major Awards and Certificates  
Related to Environment and Safety

- ISO 14001 certification
- ISO 18001 certification
- DIN EN45001 (Construction Equipment Noise Evaluation)
- Directive 2000/14/EC, Annex VIII
- Eco-Label
- Grand Prize at Environment Technology Awards (1996, Ministry of Environment)
- KOSHA 18001/OHSAS 18001 certification (2005, Korea Occupational Safety and Health Agency/BSI)
- Various compliance certifications for emissions regulations in the US and Europe (Tier and Euro standards)
- Safety Award of British Forklifts Association (2006 & 2008)
- Gold Prize, Environment Management Awards (2007, Changwon City, Gyeongnam Province, Korea)



Parts Distribution Center and After-sales Services

"Our thorough, customer-oriented services and global parts supply system ensure our customers get the support they need anywhere on the globe."

A Top-class Parts Supply Center

To raise customer satisfaction, we have built a fast and comprehensive network that combines logistics, sales, and after-sales services worldwide. The Ansan Parts Center, the largest facility of its kind in Korea, is equipped with automated warehouses and other advanced facilities to serve as the "master distribution center" at the heart of our global network. The Center supplies parts for construction equipment, forklifts, and engines as well as training for after-sales service personnel.

The Ansan Parts Center quickly supplies parts to around 110 parts outlets in Korea, providing responsive and reliable maintenance and repair services for buyers of Doosan Infracore products. Meanwhile, parts are supplied outside Korea via six regional parts centers (in the US, Belgium, China, India and elsewhere) and more than 200 parts dealers around the globe.

The Ansan Parts Center expanded its inventory capacity from 80,000 to 130,000 items after completing Warehouse

No. 3 in 2008. In the US, moreover, a new system has been launched that guarantees that parts are delivered anywhere in the region within 48 hours of order receipt. Efforts and investments are ongoing to make ours the best parts supply operation in the industry, and our on-time delivery rate now consistently exceeds 95 percent.

The Ansan Parts Center is also moving into the after-market to create a stable revenue source. To this end, a new operation strategy is being implemented for a global parts supply center, while the parts sourcing and supply system is being overhauled to achieve a world-class parts delivery rate. In the coming year, we will be able to supply parts anywhere on the planet within 24 hours. We are bolstering up our parts-related marketing function, focusing particularly on China. We are also implementing innovations and upgrading operational processes to shorten delivery time to 24 hours, even in the emerging markets.

In Korea, an after-sales service network is being built nationwide, along with regional repair shops, to accelerate services. The global parts and service network will also be linked to the corporate headquarters in Korea, to complete a large network that encompasses sales subsidiaries, branches, dealers and parts centers for the highest quality after-sales services and product support.







**FINANCIAL  
STATEMENTS**

Balance Sheets

Statements of Income

Statements of Appropriation of Retained  
Earnings

Statements of Changes in Equity

Statements of Cash Flows



Non-Consolidated Balance Sheets

[ As at December 31, 2008 and 2007 ]				
KRW in thousands				
ASSETS	2008		2007	
Cash and cash equivalent	₩	24,013,173	₩	10,551,869
Short-term financial instruments		67,334		66,179
Short-term investment securities		522,435		788,460
Accounts and notes receivable - trade, less allowance for doubtful accounts of W 14,688,510 in 2008 and W 12,133,056 in 2007		490,327,755		676,163,984
Accounts and notes receivable - other, less allowance for doubtful accounts of W 17,765,147 in 2008 and W 13,403,668 in 2007		36,007,145		56,695,947
Advance payment		11,894,767		65,212,623
Inventories		529,078,582		407,851,852
Current deferred tax assets		20,433,436		33,982,001
Current derivative instrument assets		26,588,451		28,888,661
Firm commitment assets		848,582,072		-
Other current assets		8,341,006		6,201,905
TOTAL CURRENT ASSETS		1,995,856,156		1,286,403,481
Equity method accounted investments		1,444,389,877		1,045,664,918
Non-current investments		14,274,244		8,823,447
Property, plant and equipment, net		1,246,851,678		753,669,392
Intangible assets, net		70,401,896		72,006,827
Non-current derivative instrument assets		30,870		2,020,832
Non-current firm commitment assets		125,617,632		-
Other non-current assets		28,206,361		38,733,943
TOTAL NON-CURRENT ASSETS		2,929,772,558		1,920,919,359
TOTAL ASSETS	₩	4,925,628,714	₩	3,207,322,840

Non-Consolidated Balance Sheets

[ As at December 31, 2008 and 2007 ]				
KRW in thousands				
LIABILITIES	2008		2007	
Short-term borrowings	₩	283,923,165	₩	59,147,459
Accounts and notes payable - trade		267,695,977		439,838,282
Accounts and notes payable -other		209,077,771		225,570,187
Current portion of long-term liabilities, net		233,671,195		70,326,123
Advance receipts		13,155,661		77,246,898
Accrued expenses		22,472,716		20,454,246
Income tax payable		85,584,737		90,146,221
Current derivative instrument liabilities		820,007,777		79,733,062
Current Firm commitment liabilities		59,693,055		-
Accrued product warranties		14,893,611		14,784,329
Other current liabilities		35,820,245		22,433,303
TOTAL CURRENT LIABILITIES		2,045,995,910		1,099,680,110
Long-term debt, net		1,012,927,982		875,527,468
Long-term accounts and notes payable -other		5,635,263		7,229,663
Provision for retirement and severance benefits		64,488,475		55,707,815
Non-current deferred tax liabilities		108,396,128		39,971,023
Non-current derivative instrument liabilities		142,480,849		19,888,758
TOTAL NON-CURRENT LIABILITIES		1,333,928,697		998,324,727
TOTAL LIABILITIES		3,379,924,607		2,098,004,837
Common stock of W 5,000 par value				
Authorized - 400,000,000 shares				
Issued and outstanding - 168,207,384	₩	841,036,920	₩	840,786,920
Capital surplus		612,500		5,979,297
Capital adjustments		(195,409,358)		(195,877,583)
Accumulated other comprehensive income		571,153,189		(40,640,496)
Retained earnings		328,310,856		499,069,865
TOTAL STOCKHOLDERS' EQUITY		1,545,704,107		1,109,318,003
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		4,925,628,714		3,207,322,840



Non-Consolidated Statements of Income

[ For the years ended December 31, 2008 and 2007 ]			
KRW in thousands			
	2008		2007
Revenue	₩ 3,963,378,989	₩	3,719,881,303
Cost of sales	3,010,992,681		2,843,449,280
GROSS PROFIT	952,386,308		876,432,023
Selling, general and administrative expenses	605,020,367		555,124,494
OPERATING INCOME	347,365,941		321,307,529
Interest income	9,174,339		5,345,385
Interest expense	(73,313,268)		(29,668,381)
Gain on sale of non-current investments, net	1,889,002		33,781,856
Loss on sale of accounts and notes receivable-trade	(10,892,362)		(7,039,428)
Foreign currency translation loss, net	(57,118,943)		(7,324,452)
Foreign currency transaction gain, net	71,012,896		6,814,584
Dividend income	7,200		39,960
Equity in net loss of equity method accounted investees	(440,476,281)		(35,625,167)
Reversal of allowance for doubtful accounts	-		3,923,589
Other bad debt expense	(4,585,482)		-
Gain on sale of property, plant and equipment, net	114,669,204		1,434,071
Loss on transaction of derivative instruments, net	(22,034,042)		(13,432,023)
Loss on valuation of derivatives	(20,449,857)		(3,648,142)
Gain on valuation of firm commitment	23,015,706		-
Donations	(40,258,457)		(7,377,791)
Other, net	16,884,465		17,245,278
OTHER EXPENSE	(432,475,880)		(35,530,661)
INCOME (LOSS) BEFORE INCOME TAXES	(85,109,939)		285,776,868
Income taxes	36,708,152		105,515,260
NET INCOME (LOSS)	₩ (121,818,091)	₩	180,261,608
EARNINGS (LOSS) PER SHARE			
Basic earnings (loss) per share	₩ (779)	₩	1,153
Diluted earnings per (loss) share	₩ (779)	₩	1,151

Non-Consolidated Statements of Appropriation of Retained Earnings

[ For the years ended December 31, 2008 and 2007 ]			
Date of Appropriation for 2008: March 27, 2009 Date of Appropriation for 2007: March 21, 2008			
	2008		2007
UNAPPROPRIATED (UNDISPOSED) RETAINED EARNINGS (ACCUMULATED DEFICIT)	₩	₩	
Balance at beginning of year	2,294,470		3,524,613
Cumulative effect of accounting changes	5,784,166		-
Net income	(121,818,091)		180,261,608
BALANCE AT END OF YEAR BEFORE APPROPRIATION	(113,739,455)		183,786,221
TRANSFER FROM VOLUNTARY RESERVES			
Reserve for research and development	90,000,000		54,233,333
Reserve for utilities	55,000,000		-
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR APPROPRIATION	31,260,545		238,019,554
APPROPRIATION OF RETAINED EARNINGS			
Legal reserve	3,000,000		6,000,000
Reserve for research and development	-		120,000,000
Reserve for utilities	-		55,000,000
Dividends -3% on par value at 150 Won per share	23,461,108		54,725,084
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED OVER TO SUBSEQUENT YEAR	4,799,437		2,294,470



Non-Consolidated Statements of Changes in Equity

[ For the years ended December 31, 2008 and 2007]						
	KRW in thousands					
	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
BALANCE AT JANUARY 1, 2007	₩ 840,786,920	26,746,615	(202,243,592)	(17,023,879)	413,148,536	1,061,414,600
Dividends	-	-	-	-	(54,727,583)	(54,727,583)
Net income	-	-	-	-	180,261,608	180,261,608
Acquisition of business	-	(384,208)	-	-	(39,612,696)	(39,996,904)
Stock option	-	-	2,600,071	-	-	2,600,071
Other capital surplus (equity method)	-	(20,383,110)	-	-	-	(20,383,110)
Acquisition of treasury stock	-	-	(145,451)	-	-	(145,451)
Other capital adjustments (equity method)	-	-	3,911,389	-	-	3,911,389
Change in fair value of available-for-sale securities, net of tax	-	-	-	(15,824,337)	-	(15,824,337)
Change in unrealized gain on valuation of equity method accounted investments	-	-	-	11,796,103	-	11,796,103
Change in unrealized loss on valuation of equity method accounted investments	-	-	-	19,274,588	-	19,274,588
Change in unrealized gain on valuation of derivative instruments	-	-	-	(13,074,146)	-	(13,074,146)
Change in unrealized loss on valuation of derivative instruments	-	-	-	(25,788,825)	-	(25,788,825)
BALANCE AT JANUARY 1, 2008	₩ 840,786,920	5,979,297	(195,877,583)	(40,640,496)	499,069,865	1,109,318,003

Non-Consolidated Statements of Changes in Equity

[ For the years ended December 31, 2008 and 2007]						
	KRW in thousands					
	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
BALANCE AT JANUARY 1, 2008	₩ 840,786,920	5,979,297	(195,877,583)	(40,640,496)	499,069,865	1,109,318,003
Cumulative effect of change in accounting policy	-	-	-	-	5,784,166	5,784,166
BALANCE AT JANUARY 1, 2008, RESTATED	840,786,920	5,979,297	(195,877,583)	(40,640,496)	504,854,031	1,115,102,169
Dividends	-	-	-	-	(54,725,084)	(54,725,084)
Net loss	-	-	-	-	(121,818,091)	(121,818,091)
Other capital surplus (equity method)	-	(5,979,297)	-	-	-	(5,979,297)
Stock option	250,000	612,500	4,581,900	-	-	5,444,400
Other capital adjustments (equity method)	-	-	(4,113,675)	-	-	(4,113,675)
Change in fair value of available-for-sale securities, net of tax	-	-	-	(520,972)	-	(520,972)
Change in unrealized gain on valuation of equity method accounted investments	-	-	-	323,455,571	-	323,455,571
Change in unrealized loss on valuation of equity method accounted investments	-	-	-	14,736,440	-	14,736,440
Foreign currency translation loss	-	-	-	(116,898,600)	-	(116,898,600)
Change in unrealized gain on valuation of derivative instruments	-	-	-	9,738,836	-	9,738,836
Change in unrealized loss on valuation of derivative instruments	-	-	-	22,854,052	-	22,854,052
Gain on revaluation of land	-	-	-	358,428,358		358,428,358
BALANCE AT DECEMBER 31, 2008	₩ 841,036,920	612,500	(195,409,358)	571,153,189	328,310,856	1,545,704,107



Non-Consolidated Statements of Cash Flows

[ For the years ended December 31, 2008 and 2007 ]			
	KRW in thousands		
	2008		2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	₩ (121,818,091)	₩	180,261,608
Adjustments for:			
Depreciation	51,701,535		54,086,750
Amortization	18,959,685		16,223,745
Accrual for retirement and severance benefits	32,442,095		35,926,614
Stock option compensation	4,581,900		2,600,071
Bad debt expenses	2,936,775		-
Interest expense	613,902		481,661
Interest income	-		-
Impairment losses on property, plant and equipment	114,424		-
Reversal of impairment losses on property, plant and equipment	(555,183)		(18,312,749)
Impairment on non-current investments securities	-		299,980
Other bad debt expenses	4,585,482		-
Impairment on intangible assets	365,022		155,005
Reversal of allowance for doubtful accounts	-		(3,923,589)
Gain on sale of non-current investments	(1,889,002)		(33,781,856)
Equity in net loss of equity method accounted investees, net	440,476,281		35,625,167
Gain on sale of equity method accounted investees	(2,992,897)		-
Gain on sale of property, plant and equipment, net	(114,669,204)		(1,434,071)
Foreign currency translation loss, net	57,118,943		7,324,452
Loss on valuation of derivatives	20,449,857		3,648,142
Gain on valuation of firm commitment	(23,015,705)		-
Loss on debt repayment	-		-
Gain on sale of other non-current assets	(131,876)		(1,090,909)
Miscellaneous income	-		(1,622,214)
	491,092,034		96,206,199
Changes in assets and liabilities:			
Inventories	(172,910,680)		752,070
Accounts and notes receivable - trade	64,106,048		(41,088,315)
Accounts and notes receivable - other	14,839,684		(15,685,216)
Accounts and notes payable - trade	(99,837,405)		(22,567,390)
Accounts and notes payable - other	1,951,453		33,688,663
Advance payment	5,685,208		53,633,431
Advance receipts	21,018,447		(83,240,710)
Payment of retirement and severance benefit	(14,775,329)		(41,939,408)
Accrued severance benefit transferred from related parties	444,623		1,698,807
Accrued expenses	2,926,045		9,685,333
Withholdings	4,832,736		(3,112,952)
Deferred tax assets	(6,160,871)		(20,269,908)
Deferred tax liabilities	(39,285,241)		25,093,032
Firm commitment assets, liabilities	23,015,706		-
Dividend received	52,449,293		1,000,000
Others, net	(23,216,490)		57,724,859
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>204,357,170</b>		<b>231,840,103</b>

(Continued)

Non-Consolidated Statements of Cash Flows

[ For the years ended December 31, 2008 and 2007 ]			
	KRW in thousands		
	2008		2007
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of short-term investments	₩ 788,460	₩	690,015
Withdrawal of short-term financial instruments	2,327,102,212		17,282,909
Decrease in short-term loans	-		15,355
Proceeds from sale of non-current investments	506,000		40,903,527
Proceeds of equity method accounted investments	3,131,999		-
Proceeds from sale of property, plant and equipment	114,878,938		8,480,073
Contribution for capital expenditure	-		259,316
Decrease in intangible assets	-		1,468,450
Decrease in long-term loans	-		34,000
Proceeds from sale other non-current assets	16,671,385		3,898,675
Acquisition of short-term financial instruments	(2,377,103,367)		(17,009,132)
Acquisition of non-current investments	(11,687,520)		(1,375,674)
Acquisition of equity method accounted investments	(353,562,184)		(699,911,405)
Acquisition of property, plant and equipment	(176,311,051)		(60,332,101)
Acquisition of intangible assets	(18,309,205)		(22,227,947)
Acquisition of other non-current assets	(7,656,042)		(6,248,297)
Decrease of cash in physical division	(19,537,317)		-
Acquisition of Business from Doosan Mecatec Co., Ltd.	-		(70,546,000)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(501,087,692)</b>		<b>(804,618,236)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short term borrowings	1,068,217,028		2,806,208,199
Proceeds from long term borrowings	149,737,385		668,866,934
Proceeds from issuance of bond	60,000,000		100,000,000
Exercise of stock option	250,000		-
Repayment of short term borrowings	(842,955,898)		(2,871,620,915)
Repayment of current portion of long term borrowings	(70,331,605)		(108,349,832)
Repayment of long term borrowings	-		(602,894)
Dividend paid	(54,725,084)		(54,727,583)
Acquisition of treasury stock	-		(145,451)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>310,191,826</b>		<b>539,628,458</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year	10,551,869		43,701,544
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₩ 24,013,173</b>	<b>₩</b>	<b>10,551,869</b>



DOOSAN AFFILIATES

Doosan Corporation  
- Electro-Materials BG  
- Fashion BG  
- Glonet BU  
- Information & Communication BU

Doosan Infracore Co.,Ltd.

Doosan Infracore International, Inc.(DII)  
- Bobcat  
- DI Portable Power

Doosan Heavy Industries &  
Construction Co.,Ltd.

Doosan Engineering & Construction Co.,Ltd.  
Doosan Engine Co.,Ltd.  
Doosan Defense Systems & Technology Co., Ltd.  
Doosan Mecatec Co.,Ltd.  
Doosan Cuvex Co.,Ltd.  
Samhwa Crown & Closure Co.,Ltd.  
Doosan Motors Corporation  
Doosan Dong - A Co., Ltd.

Neoplux Co., Ltd.  
Oricom Inc.  
Doosan Bears Inc.  
SRS Korea Co., Ltd.  
Rexcon Co., Ltd.  
Doosan Capital Co.,Ltd.  
Yonkang Foundation  
DLI Yongangwon



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