



Doosan Infracore

Doosan Infracore

Analyst meeting

Oct 2015



Real
Global NO 1

Table of Contents

1 **Financial structure improvement**

2 **Expected impacts from restructuring**

3 **Appendix**

To spin-off and sell minority stake of Machine Tools division

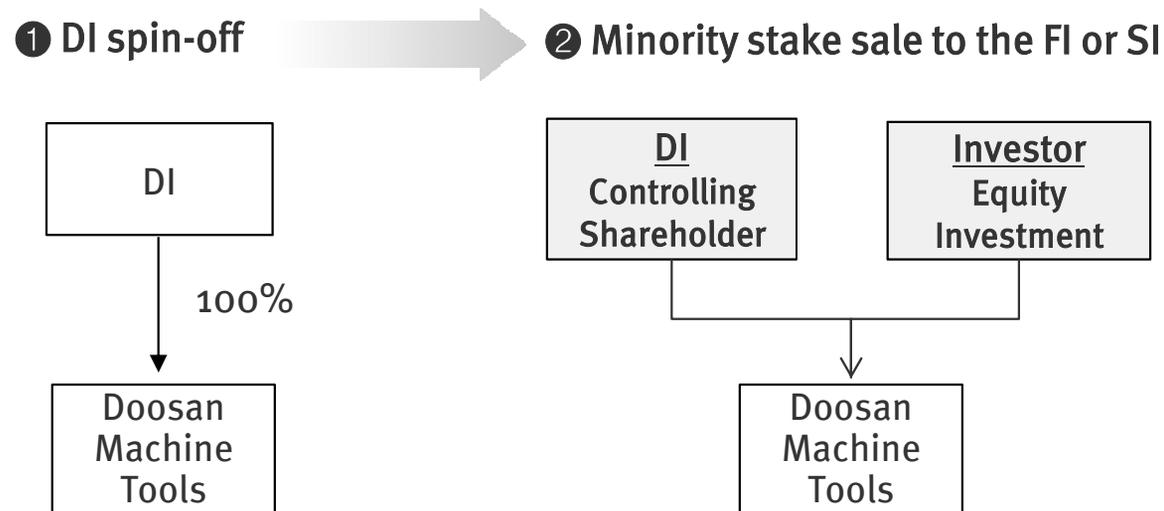
Details

- To split DI's Machine Tools division into a 100%-owned new subsidiary
- A subject for spin-off : DI's Machine tools division

Implication

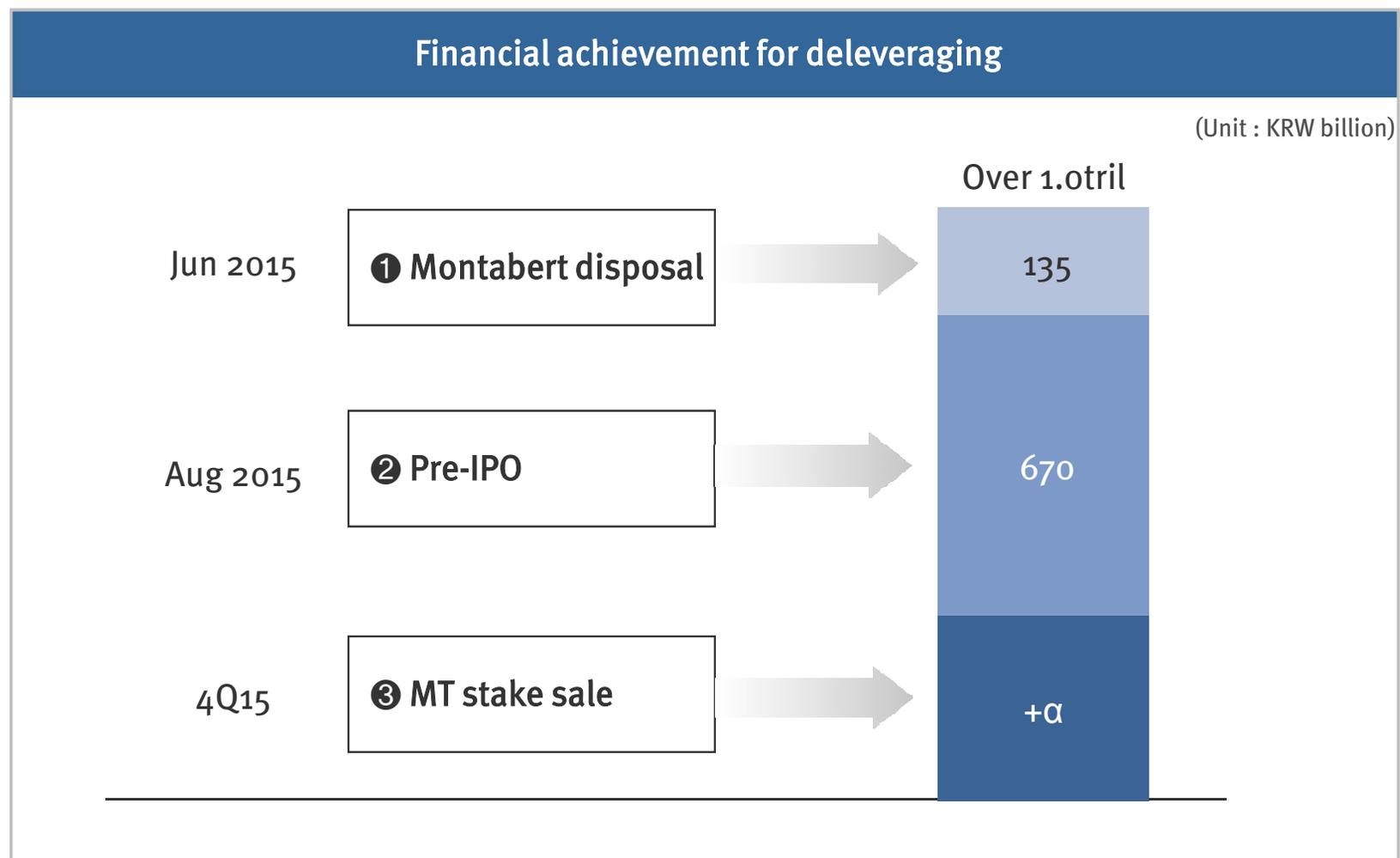
- **A preemptive act for deleveraging by selling minority stake of Machine tools division**
 - In the face of difficult business conditions and for financial improvement, DI plans to split MT division into a new subsidiary and sells minority stake simultaneously by end of 2015, so deleveraging can be achieved by reducing debt and debt-to-equity ratio
- **DI will still be the controlling shareholder and conducting management decision after the spin-off given importance of the business**

Expected structure



Financial achievement and a further deleveraging plan in 2015

- We plan to reduce over 1.0 KRW trillion of debt in total with ① secured proceeds from disposal of Montabert/ DIBH Pre-IPO and ② expected minority stake sale of MT division so that further deleveraging can be accelerated



Expected balance sheet improvement

- Year-end debt-to-equity ratio is expected to be under 200% on the back of asset disposal and internally generated cash
- Along with debt reduction, notable decrease in interest expenses is expected after 2016

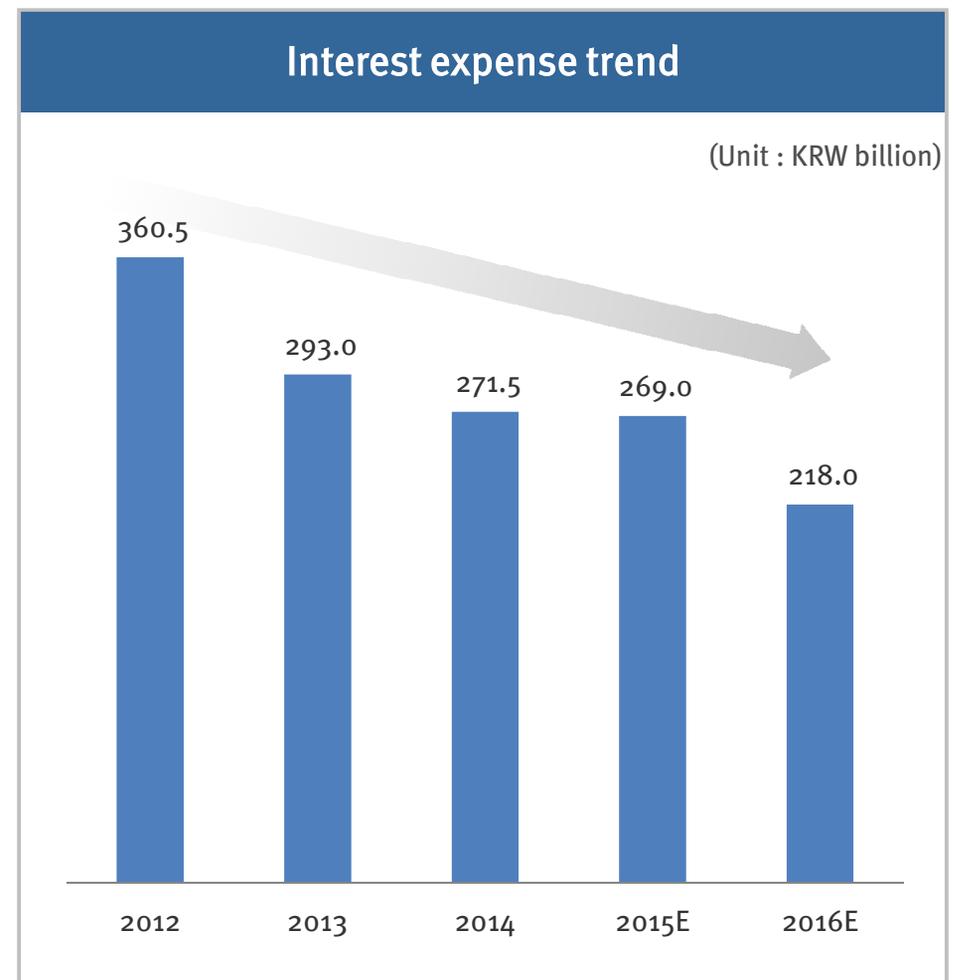
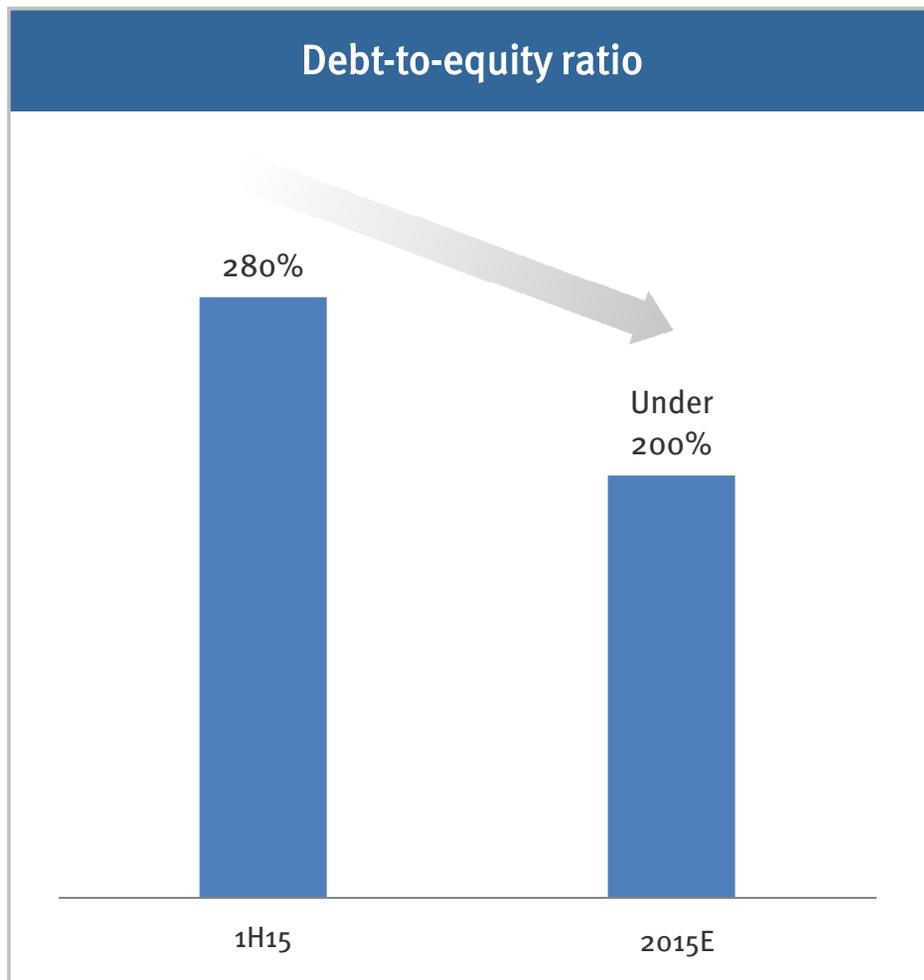


Table of Contents

1 Financial structure improvement

2 Expected impacts from restructuring

3 Appendix

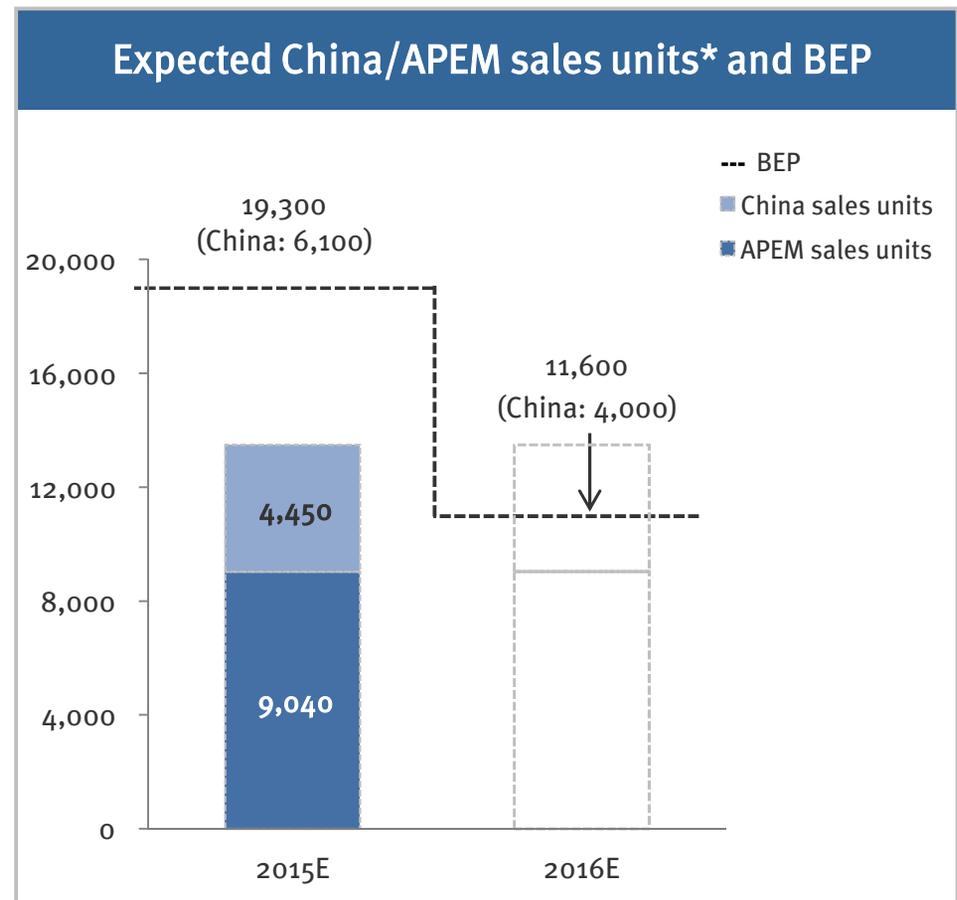
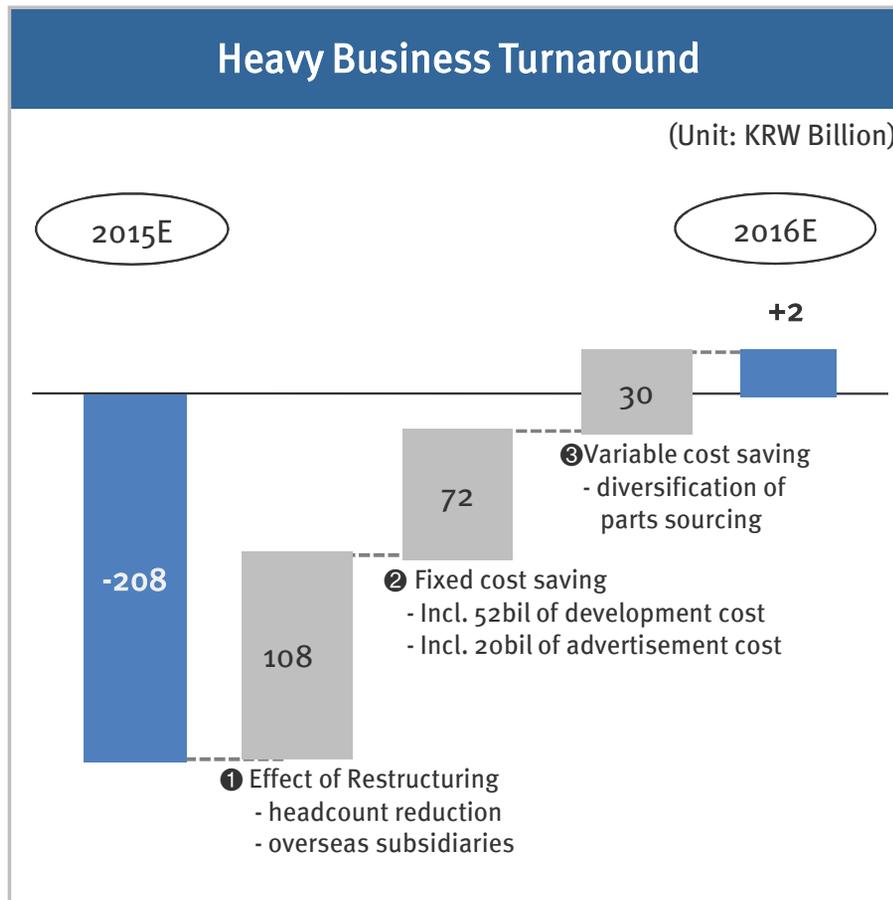
Details and effects of heavy business(China/APEM) restructuring

- Restructuring has been in progress since 2012 in response to weak market in China/APEM, and Europe restructuring completed in 2014
- Structural turnaround is expected from 2016 on the back of China and HQ restructuring in 2015

Details and Effects of Restructuring		
2012~2013	2014	2015
<ul style="list-style-type: none"> • Suzhou plant shifted into logistics center • Labor cost saving effects <ul style="list-style-type: none"> - China, Europe, Others: app. 24.0 KRW billion 	<ul style="list-style-type: none"> • Europe Heavy plant shut down • Labor cost saving effects <ul style="list-style-type: none"> - Europe: app. 30.0 KRW billion 	<ul style="list-style-type: none"> • Restructuring for lay-offs and China production line • Labor cost saving effects <ul style="list-style-type: none"> - HQ and overseas: app. 84.0 KRW billion • Restructuring impact for overseas subsidiaries : app. 24.0 KRW billion

Result of heavy business(China/APEM) restructuring

- Although temporary loss is expected due to restructuring in 2015, more than 200 KRW billion of cost saving is forecasted from 2016 thanks to ❶ effect of restructuring and ❷ reduction in one-off cost
- As a result of restructuring, structural earnings improvement is highly likely even with potential further downturn in markets thanks to significant decrease in BEP unit



*Incl. excavator and wheel loader

Table of Contents

1 Financial structure improvement

2 Expected impacts from restructuring

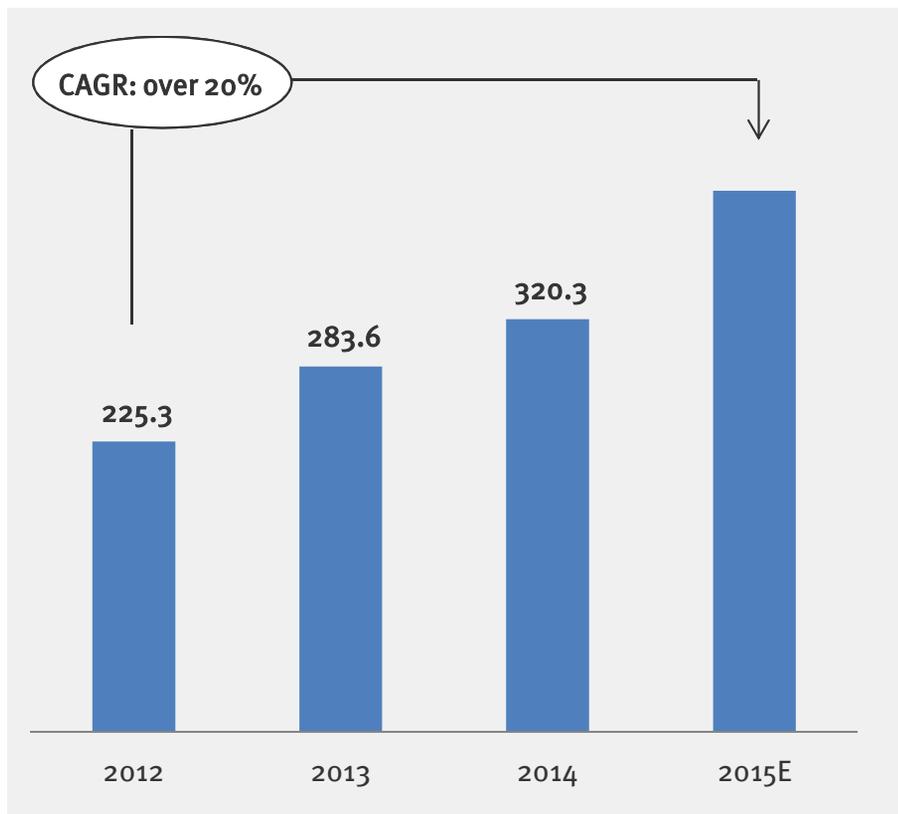
3 Appendix

Appendix: ① DIBH – Continued solid performance and Recovery Trend in Europe

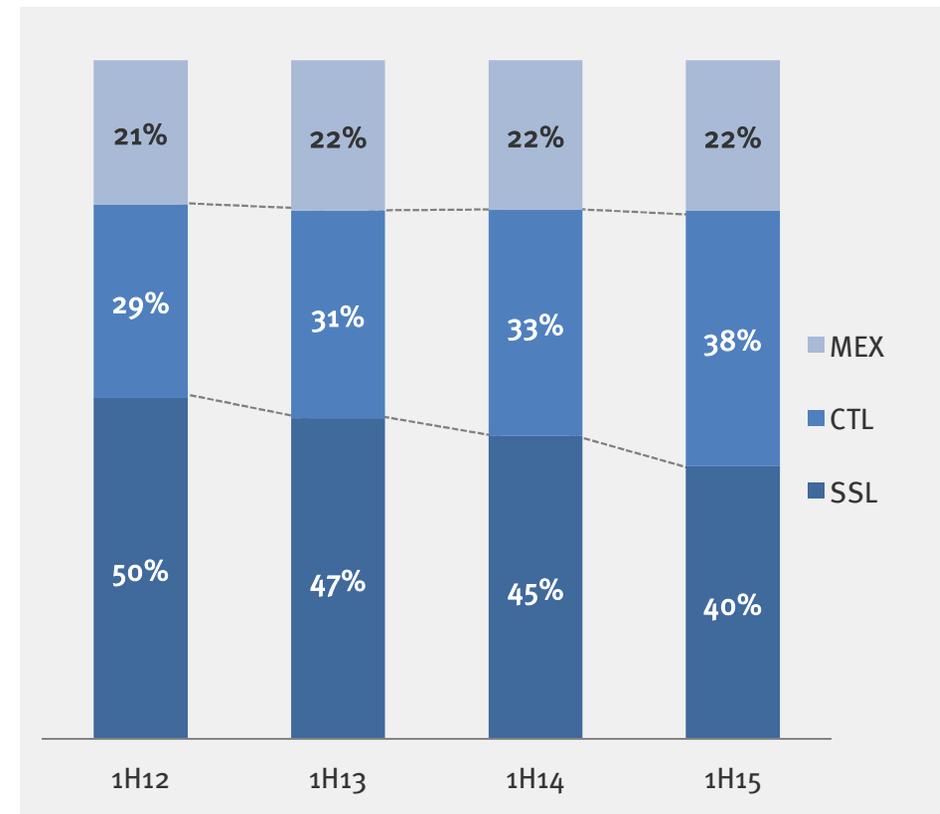
- Sales and EBIT increased steadily on the back of favorable market conditions in NA
- Improvement in EBIT continued thanks to favorable product mix; higher growth in Compact Track Loader, CTL

DIBH EBIT Trend

(Unit: KRW Billion)



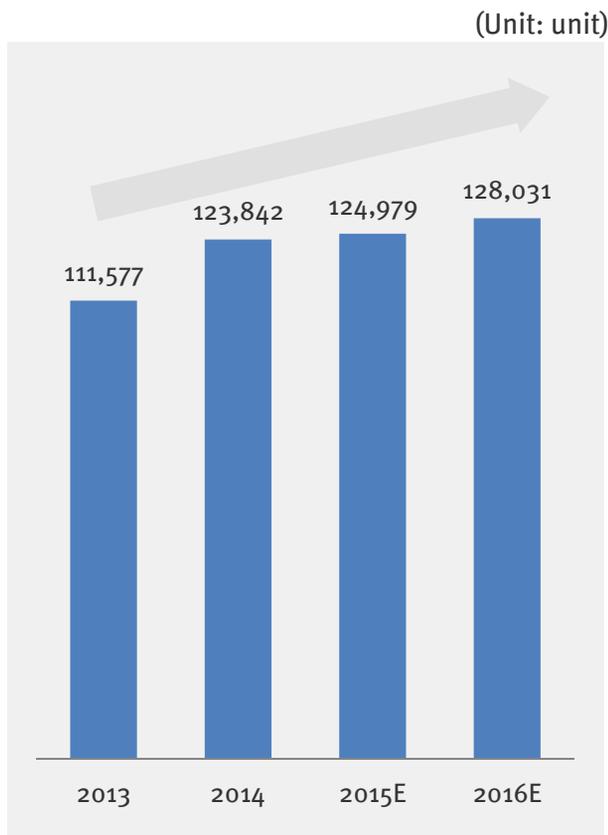
Product mix trend in NA



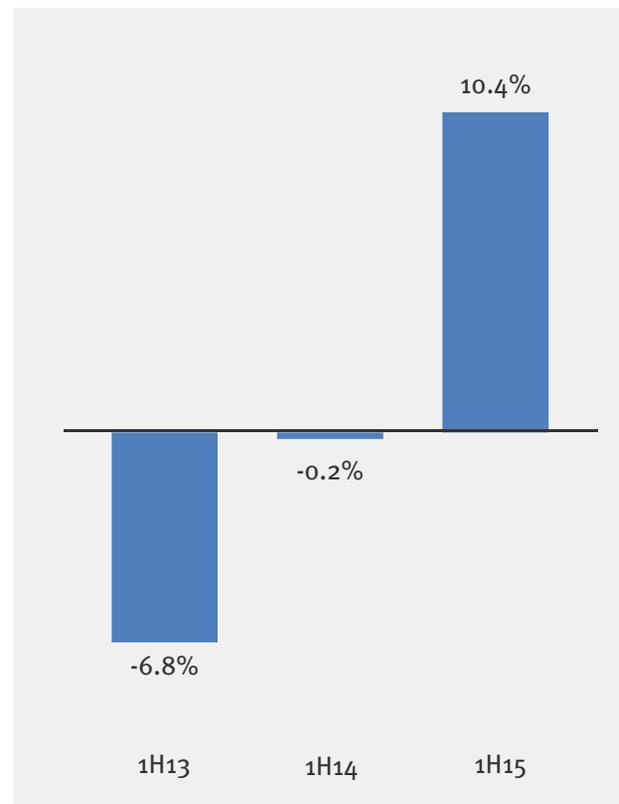
Appendix: ② DIBH – Continued solid performance and recovery trend in Europe

- Construction equipment market continued to recover followed by gradual economic recovery in Europe
- DIBH Europe started to show a recovery sign in sales volume, and expected to be more profitable due to enhanced cost structure by restructuring in 2014

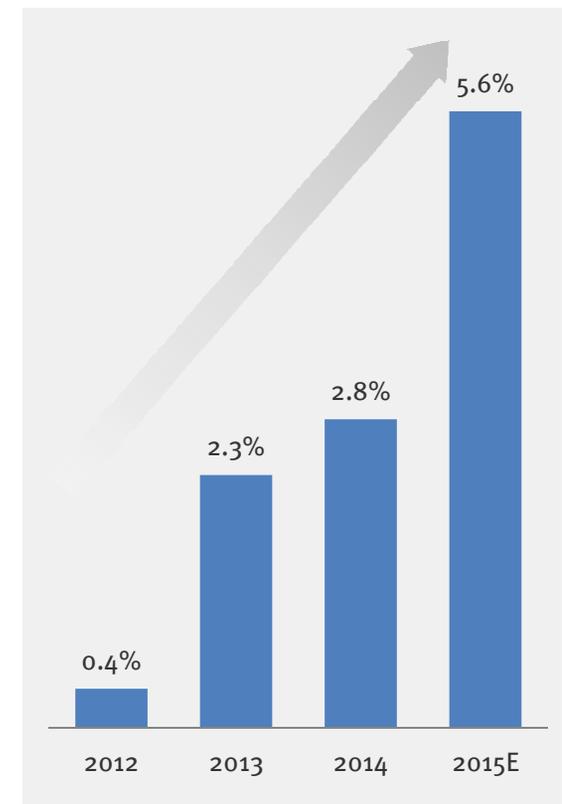
CE market size in Europe



Compact product sales unit growth in Europe



EBIT margin trend in DIBH Europe

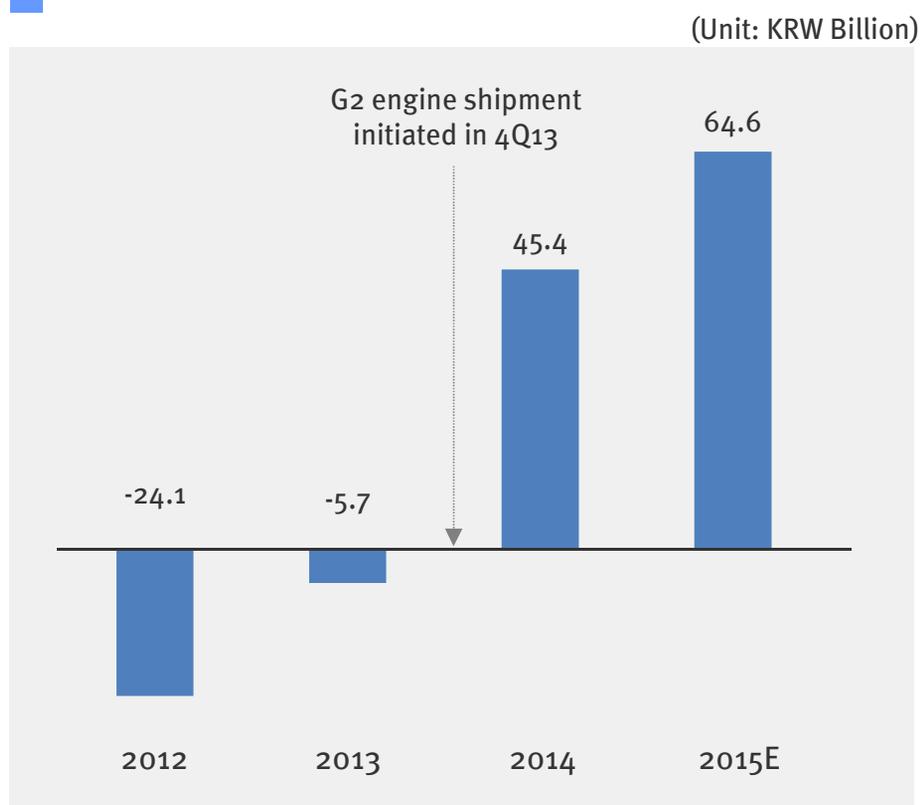


Source: Off-Highway(incl. Compact, Heavy and other CE)

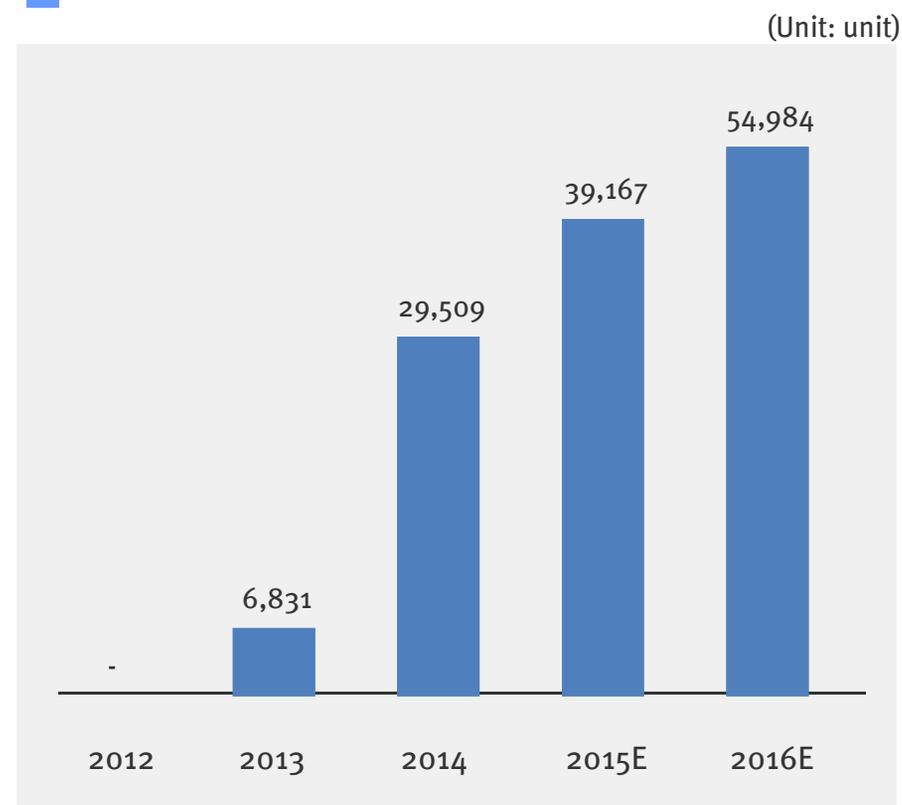
Appendix: ③ Engine Division – Successful structural turnaround

- Engine division resulted a structural turnaround thanks to initiating mass production of G2 engine to Bobcat in 2014
- In addition to increase in captive sales, we will begin external sales of G2 Engine to domestic agricultural companies starting from 2015 and expand volume sequentially

EBIT trend in Engine Division



G2 Engine sales volume* forecast



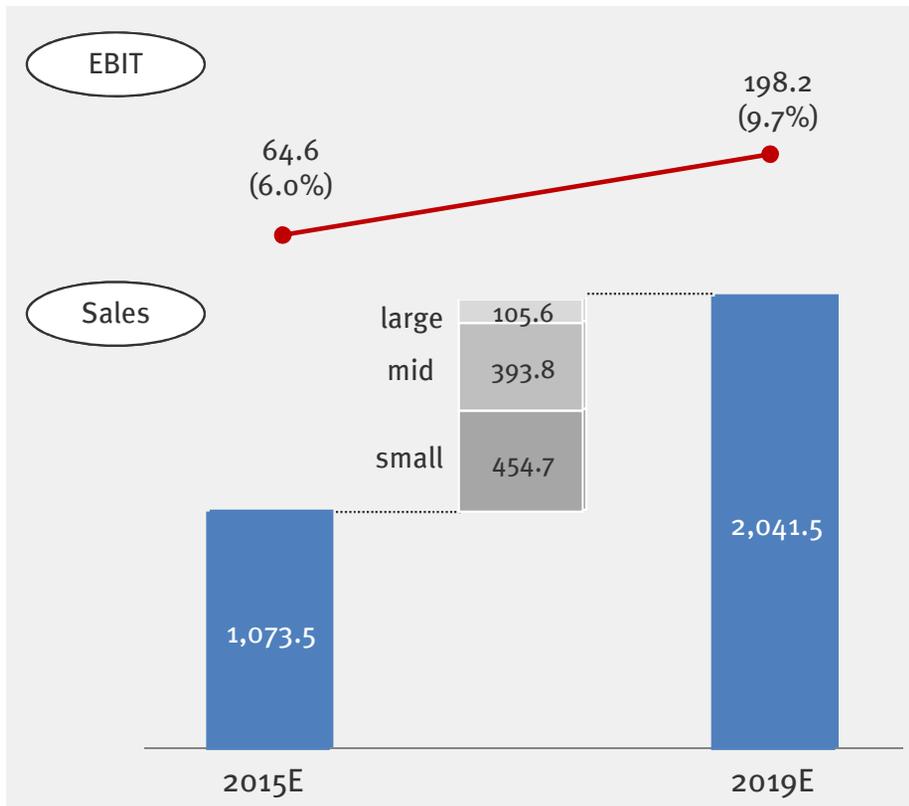
* Including external sales

Appendix: ④ Engine Division – Existing business and potential growth

- We established full product line-up from small-sized G2 engine to extra-large tank engine which will enable us to achieve 2.0 KRW trillion of sales by 2019
- Secure potential opportunities by ① entering new markets such as truck and commercial vehicle on the back of core technologies that meet the highest emission regulations, and ② utilizing regulatory changes in engine industries

Sales and EBIT forecast for existing business

(Unit: KRW Billion)



Sales increase effect* from new markets

(Unit: KRW Billion)

