



Doosan Infracore

Doosan Infracore

2012 2Q Investor Meeting

July 2012



Disclaimer



This presentation contains preliminary figures which may be materially different from the final figures.

The financial information in this document are consolidated earnings results based on K-IFRS. Previous earnings results have also been restated in compliance with K-IFRS.

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2Q12 Highlights

2Q12 results *

- Although EBIT declined due to the weakness in China, sales grew year-on-year thanks to the favorable trends in the construction equipment division's North America market and the machine tools division.
- Net profit improved substantially as DII's deferred tax asset was officially recognized by our auditors as a result of continuous earnings improvement at DII.

Results

(Unit : KRW billion)

	2Q11	3Q11	4Q11	1Q12	2Q12	YoY	QoQ
Sales	2,263.8	1,947.0	2,040.5	2,190.3	2,332.7	+3.0%	+6.5%
EBIT	235.4	150.3	93.9	175.4	155.8	-33.8%	-11.2%
EBIT margin (%)	10.4%	7.7%	4.6%	8.0%	6.7%	-3.7%P	-1.3%P
(Net Financial Cost)	(71.4)	(88.7)	(87.5)	(87.2)	(95.1)	+33.2%	+9.1%
(F/X gains/losses)	20.4	(66.9)	(12.0)	36.3	(54.8)	-	-
Net Profit	170.8	5.2	(13.8)	70.5	204.8	+19.9%	+190.5%

* Figures are based on consolidated K-IFRS

2Q12 divisional sales & EBIT *

- Despite the weakness in China, sales of the construction equipment division increased from a year ago due to growths from developed and emerging markets.
- EBIT margin of the machine tools division recorded remarkable improvement thanks to sales growth of high-end products.

Sales

(Unit : KRW billion)

		% of sales	YoY
Construction Equipment	1,779.8	76.3%	+1.4%
Machine Tools	400.1	17.2%	+10.1%
Engines	152.8	6.5%	+5.0%
Total	2,332.7	100%	+3.0%

EBIT & Margin

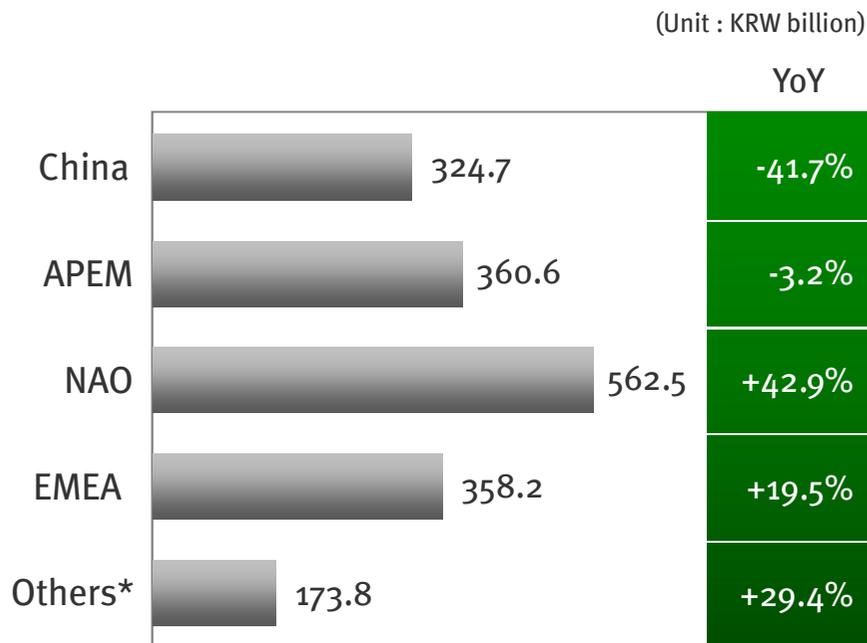
(Unit : KRW billion)

		EBIT margin	YoY
Construction Equipment	106.1	6.0%	-41.5%
Machine Tools	53.1	13.3%	+46.2%
Engines	-3.4	-2.3%	-
Total	155.8	6.7%	-33.8%

2Q12 construction equipment BG details

- Most regions reported sales growth except for China. North America and EMEA in particular recorded outstanding growths.
- Sales and EBIT continued to improve at DII.

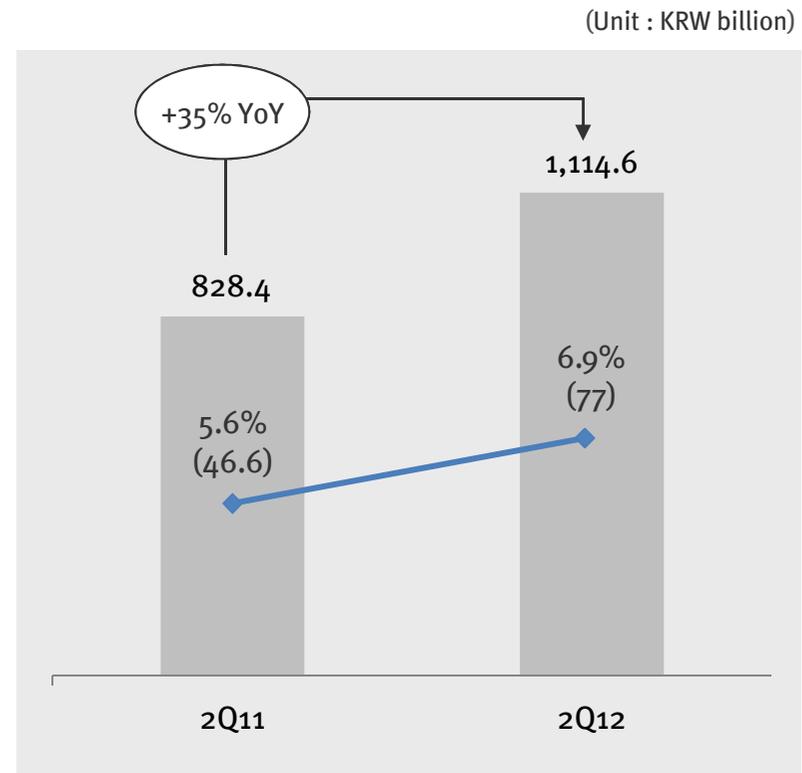
2Q12 Regional Breakdown



* DIPP, ADT, HQ sales

** APEM(Asia Pacific/Emerging Markets), NAO(North America/Oceania), EMEA(Europe/Middle East/Africa)

DII's 2Q12 Sales & EBIT



Financial structure *

- Due to the Won's weakness, foreign currency debt increased. However, the liabilities to equity ratio declined year-on-year as recognition of deferred tax asset also increased the total shareholders' equity.

Balance Sheet

(Unit : KRW billion)

	2010	2011	2Q11	2Q12	YoY
Current Assets	3,855.7	4,232.5	4,798.9	4,573.7	-225.2
Fixed Assets	7,155.9	7,471.2	6,923.6	7,663.4	+739.8
Total Assets	11,011.6	11,703.7	11,722.5	12,237.1	+514.6
Total Liabilities	9,254.1	9,418.5	9,348.6	9,674.7	+326.1
- Net Debt	5,548.5	5,344.4	5,125.5	5,777.6	+652.1
Total Shareholders' Equity	1,757.5	2,285.2	2,373.9	2,562.4	+188.5
Liabilities/Equity Ratio	526.5%	412.2%	393.8%	377.6%	-16.2%P

* Figures are based on consolidated K-IFRS

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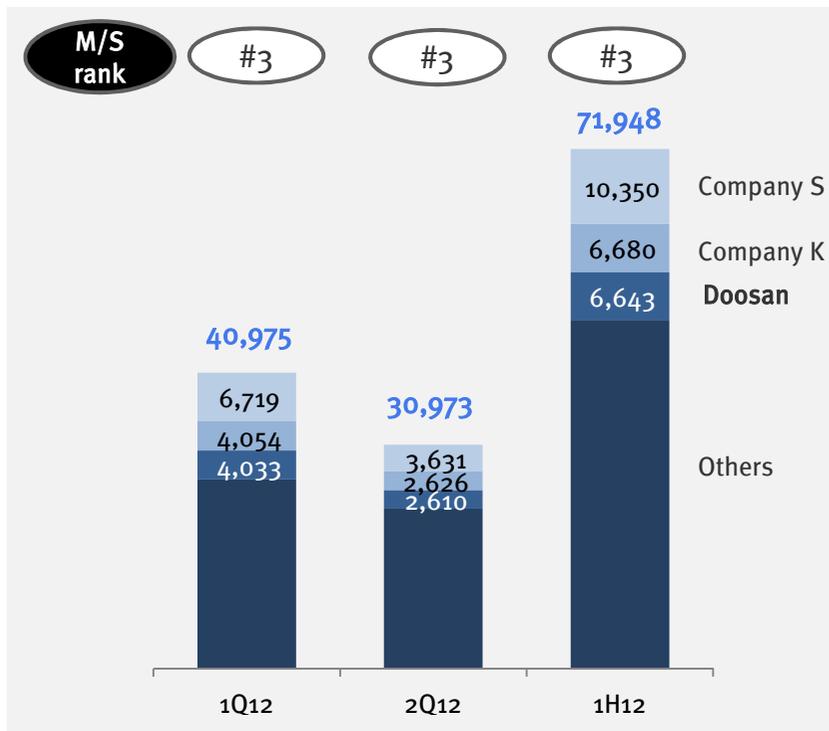
2Q12 Highlights

Construction Equipment : Strengthening 'fundamentals' in China

- Market position in China remained stable with only a small market share gap with #2 player thanks to new product launches & marketing activities.
- We will continue to improve our fundamental competitiveness via strategies such as launch of new & localized products with enhanced technology and quality, improvement in channel & dealer and expansion of after market(AM) business and stronger marketing efforts.

Quarterly Sales Volume & Rank

(Unit : Unit)



* Source : China Construction Machinery Association

Strategies to enhance fundamental competitiveness

- | | |
|--|---|
| New products & Better quality | <ul style="list-style-type: none"> • Launch localized products in mid-sized segment
→ 3 new models with targeted performance, price, and fuel efficiency • Enhance product line-up on large-sized market
→ 3 new models will be launched in 2H 2012 • Close quality gap with top-tier players through TQM** • Dominate the compact market in advance based on the heavy equipment's success story |
| Stronger AM biz | <ul style="list-style-type: none"> • Expand sales contribution from AM business from 7% to 11% until 2015.
→ More original parts sales, set up AM Call Center, launch new AM biz, strengthen remanufacturing biz |
| Channel & Marketing | <ul style="list-style-type: none"> • Develop dealers by internal dealer evaluating system • Reducing dealer's inventories by consignment sales • Develop exclusive dealers for wheel loaders to achieve over 10% market share |

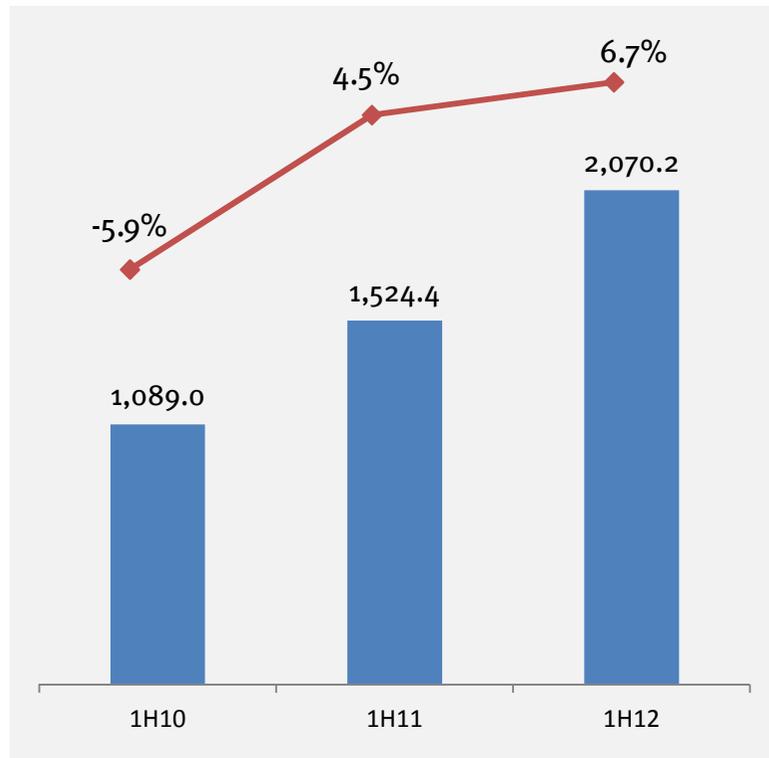
TQM** : Total Quality Management

Construction Equipment : Continued growth in DII's sales & EBIT

- We have adopted Bobcat's superior sales network and dealer management know-how to expand our heavy equipment sales.
- Thanks to demand recovery, profitability continues to improved at DII. We plan to further accelerate the trend by internal sourcing and cost reduction.

Sales & EBIT(%) Trend

(Unit : KRW billion)



Key strategies in developed markets

Heavy

- We will take advantage of Bobcat's superior sales network and dealer management know-how and use it for heavy equipment sales.
- Market share in Europe increased due to greater contribution(52%) from shared dealer* sales. (Market share of 6.5% in '10 → 8.9% in '11)
- We are fostering 10~20% of North America compact dealers, which could also sell heavy products

Compact

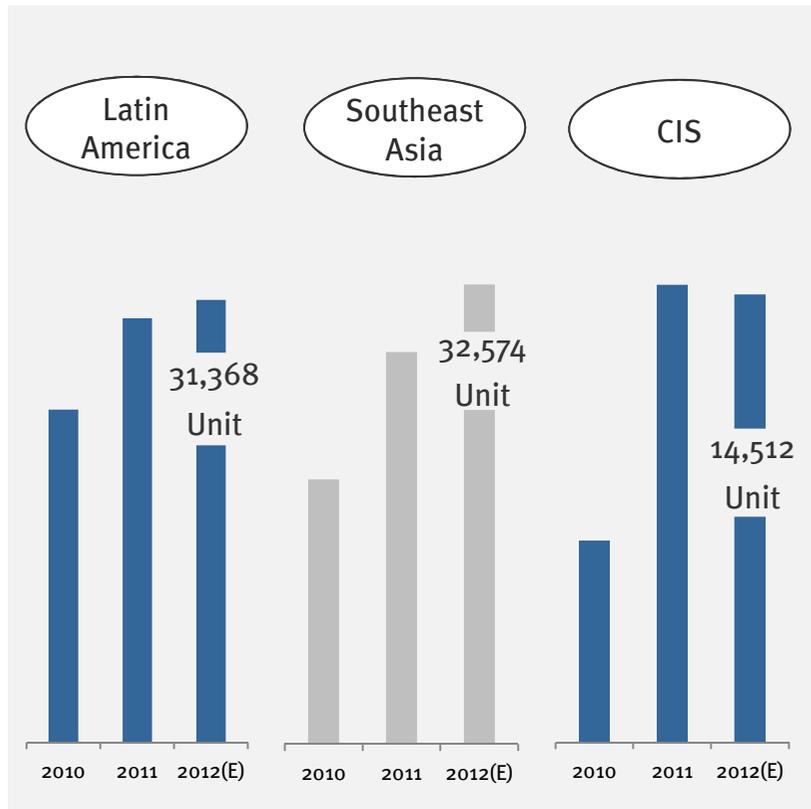
- Ramping up production capacity in North America to the previous peak level (40,000 units per annum)
- Focusing on upgrading profitability
 - Reduce promotions, enhance retail channel sales instead of rental channels
 - Source engines internally from 2014
 - Internalize air-end, a core component of DIPP by '14
- Introduce new models including 14 mini excavators

* Shared Dealer : Dealer that handle both heavy & compact products

Construction Equipment : Steady rise in emerging market share

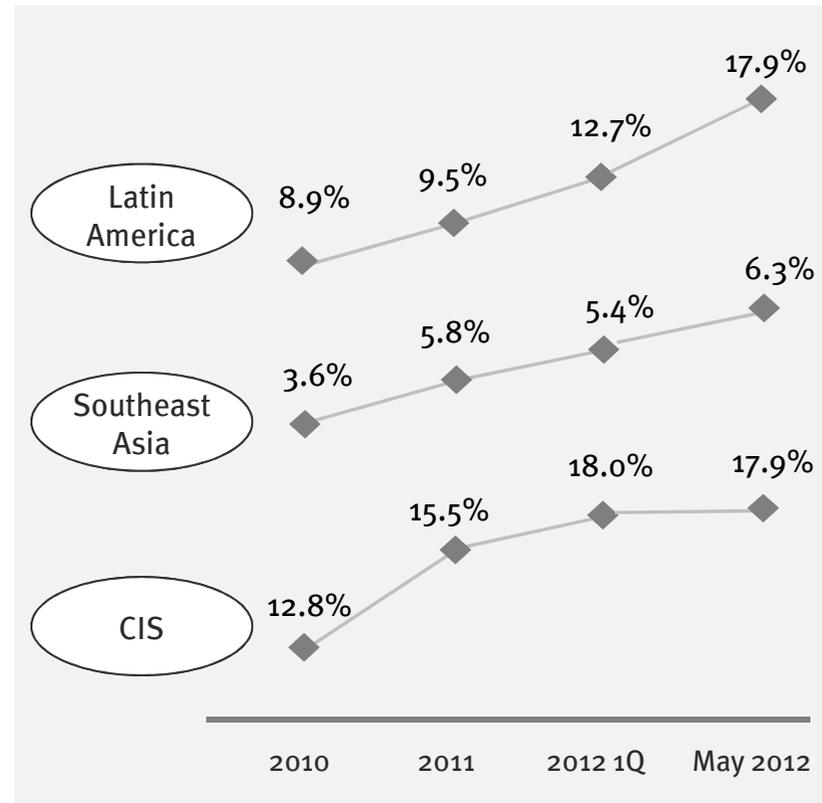
- Emerging markets are continuing to grow and we are gaining substantial market share in key strategic markets such as Brazil, Indonesia and CIS.

Market size*



* Outlook figures from Doosan Infracore

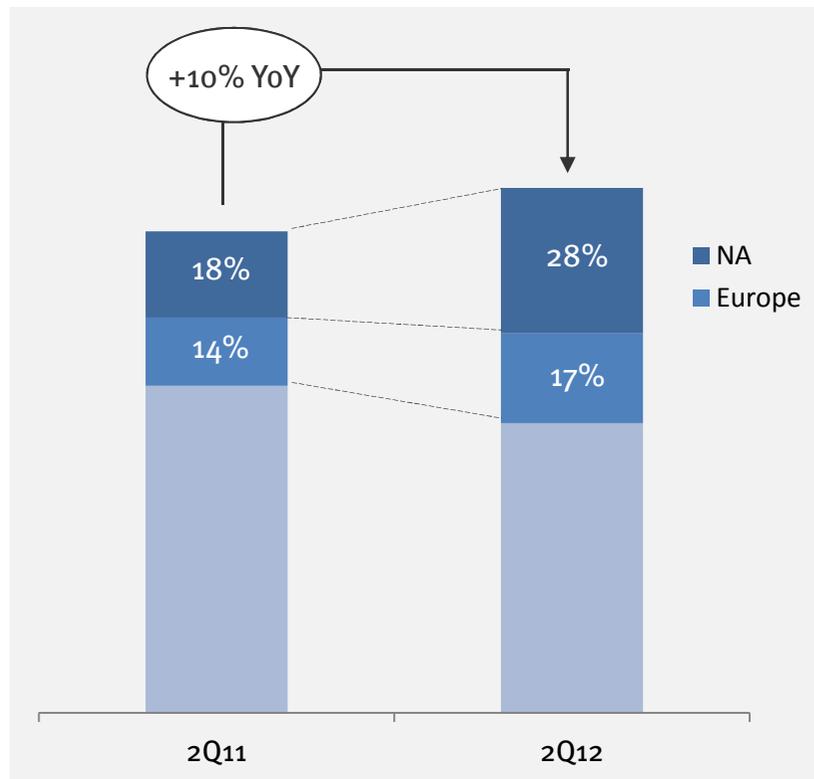
Market share trend



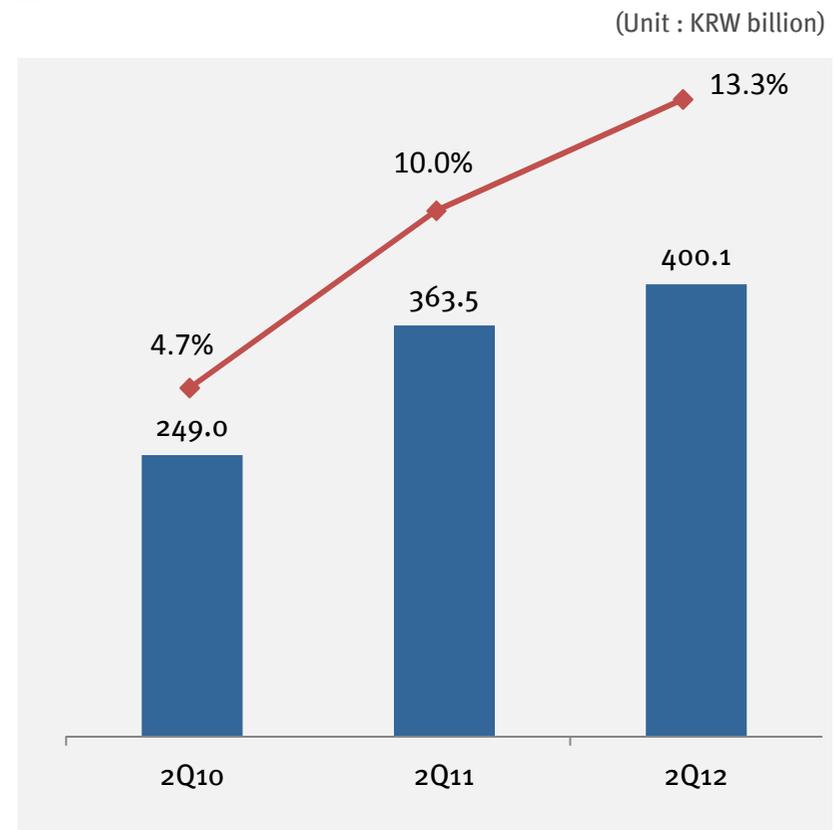
Machine Tools : High-end product sales boost profitability

- Sales to developed markets are growing as a result of enhanced competitiveness in high-end products and accordingly, profitability continues to improve for machine tools.

Sales breakdown by region



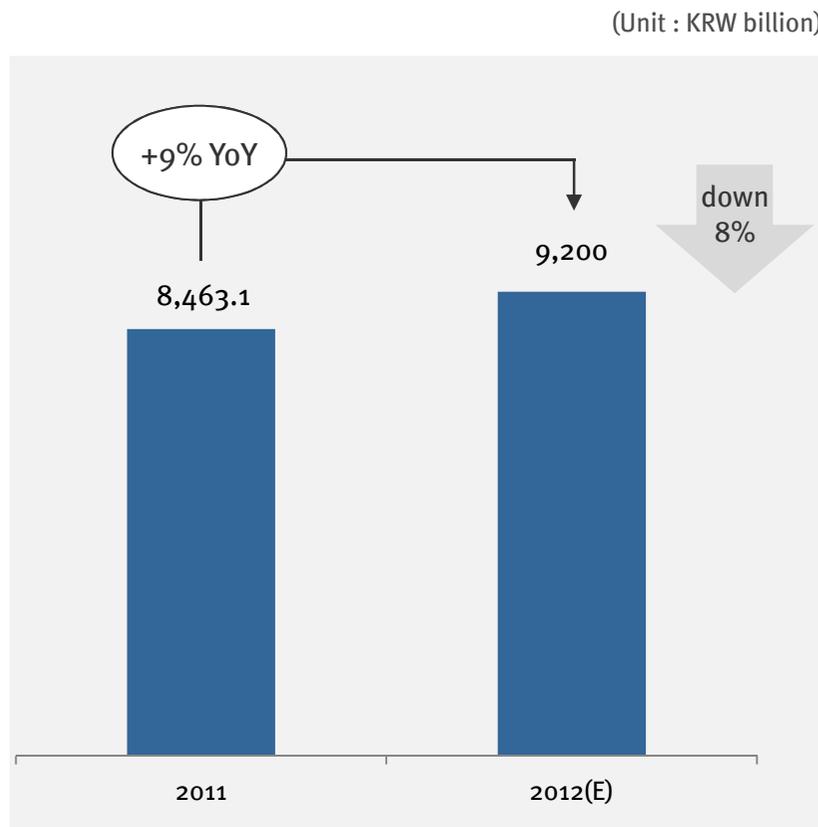
Quarterly sales & EBIT trend



Revision of 2012 outlook

- We are revising down our sales and EBIT outlook due to the weakness of China's construction cycle.
- After revision, EBIT should decline year-on-year, however, sales should continue to improve from last year.

Sales



EBIT(%)

