



Doosan Infracore

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2013 4Q Investor Meeting

Feb 2014



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Highlights (Outlook & Strategy)

2013 results *

2013

- Sales declined marginally YoY due to resultant weaknesses in business environment in most regions except for NAO
- Nevertheless, EBIT improved YoY thanks to 1) solid performance of DII 2) enhanced cost competitiveness

4Q13

- Sales increased YoY due to favorable performance in all divisions
- EBIT increased significantly YoY due to growth in sales and enhanced cost competitiveness

Results

(Unit : KRW billion)

	2012	2013	YoY	4Q12	4Q13	YoY	3Q13	QoQ
Sales	8,158.4	7,736.8	-5.2%	1,776.0	1,886.5	6.2%	1,879.5	0.4%
EBIT**	362.4	369.5	+2.0%	-25.3	88.2	TB	103.0	-14.4%
EBIT margin (%)	4.4%	4.8%	+0.4%p	-1.4%	4.7%	+6.1%p	5.5%	-0.8%p
(Net Financial Cost)	360.5	293.0	-18.7%	86.9	72.1	-17.0%	74.5	-3.2%
(F/X gains/losses)	79.5	14.9	-81.3%	35.8	25.1	-29.9%	35.8	-29.9%
Income Tax***	-415.5	44.0		-253.0	1.2		21.0	
Net Profit	393.3	-100.9	TR	104.6	-25.4	TR	20.8	TR

* Figures are based on consolidated K-IFRS.

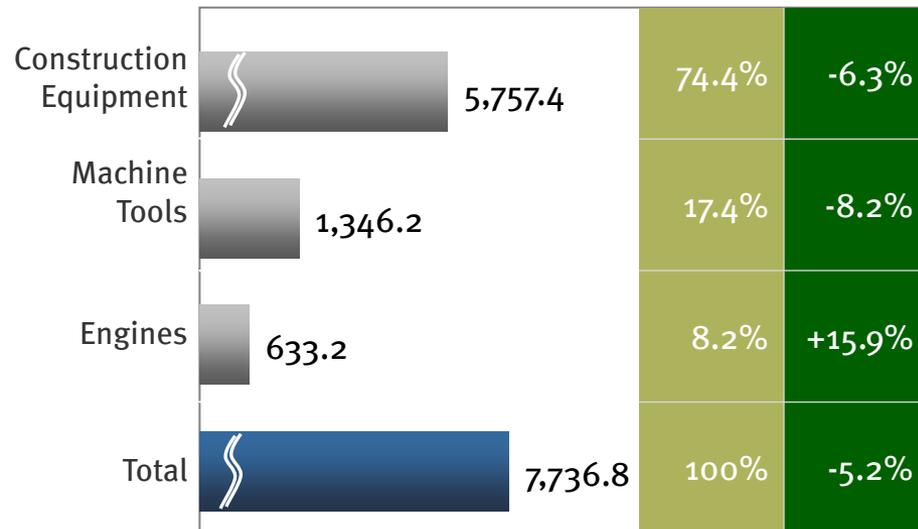
** 2012 net profit includes tax profit of KRW395.6 billion from DII's deferred tax asset.(2Q: KRW204.5billion, 4Q: KRW191.1 billion)

2013 divisional sales & EBIT *

- Despite economic recovery in 2H, yearly sales of the Construction Equipment and Machine Tools divisions decreased slightly due to sluggish performance in 1H13
- In spite of unfavorable business environment, sales of the Engine division increased YoY thanks to sales growth in generator and industrial vehicle engine
- EBIT increased slightly backed by enhanced cost competitiveness in spite of decline in sales

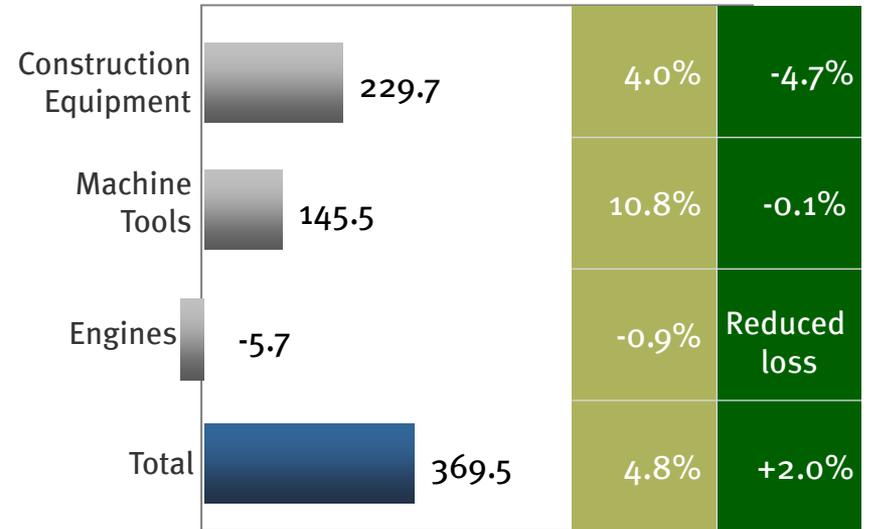
Sales

(Unit : KRW billion)
% of sales YoY



EBIT & Margin

(Unit : KRW billion)
EBIT margin YoY



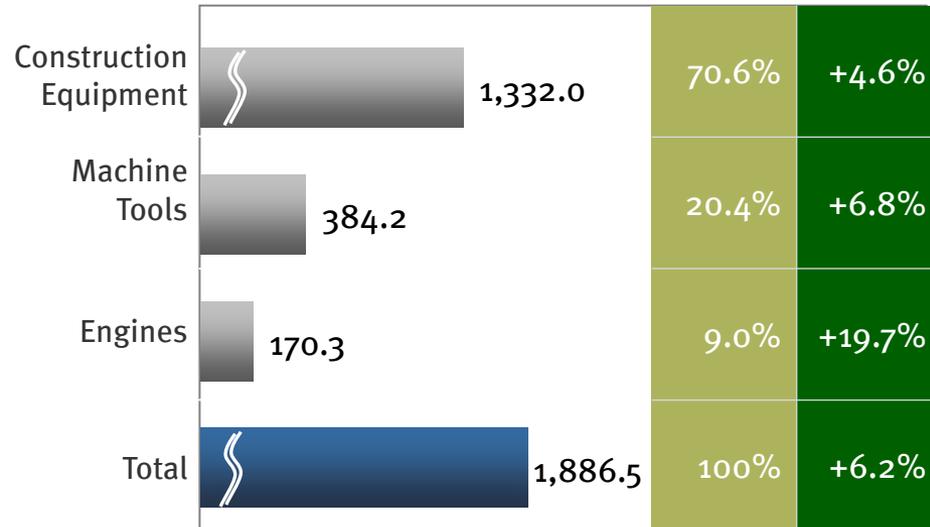
* Figures are based on consolidated K-IFRS

4Q13 divisional sales & EBIT *

- Showed clearer signs of recovery than 3Q13; sales and EBIT increased significantly YoY
 - Construction equipment : Sales increased due to Developed /China markets growth
 - Machine tools : Sales increased thanks to 1) favorable performance in domestic/Europe
2) a shift to positive sales growth in NAO

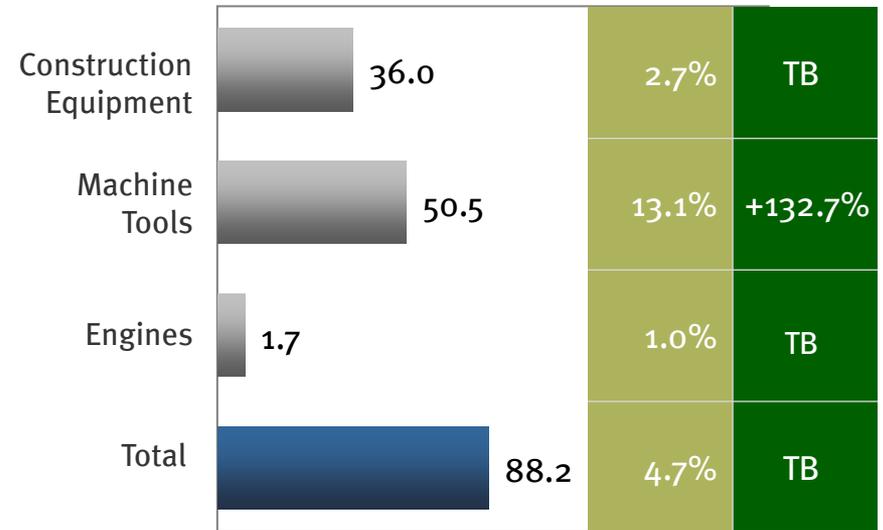
Sales

(Unit : KRW billion)
% of sales YoY



EBIT & Margin

(Unit : KRW billion)
EBIT margin YoY



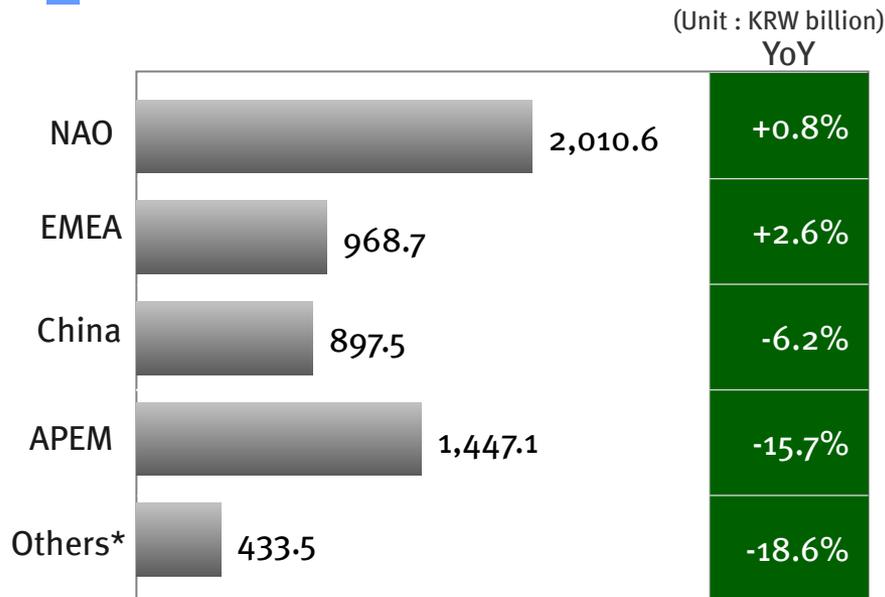
* Figures are based on consolidated K-IFRS

** 3Q13 divisional sales YoY growth :
CE: +0.1%, MT: +1.3%, Engine: +10.2%

2013 construction equipment BG details **

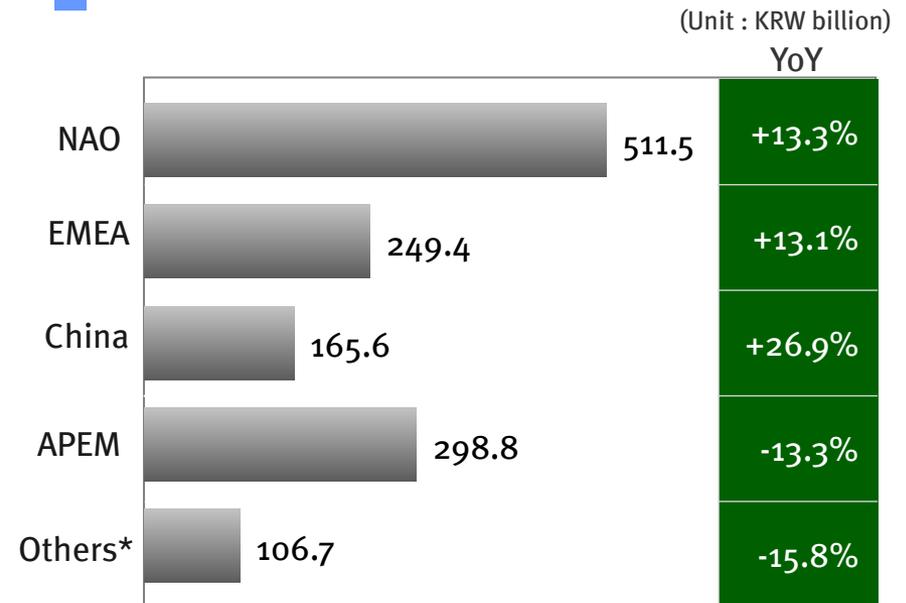
- In 4Q, all regions recorded strong growth YoY, showing the most distinct recovery among all quarters in 2013
- Notably, sales of China in 4Q increased significantly YoY and negative growth trend is mitigated in APEM

2013 sales



* Others include sales from DIPP, ADT and Headquarter
 ** Figures are based on consolidated K-IFRS

4Q13 sales



* Others include sales from DIPP, ADT and Headquarter
 ** Figures are based on consolidated K-IFRS

2013 DII results

2013

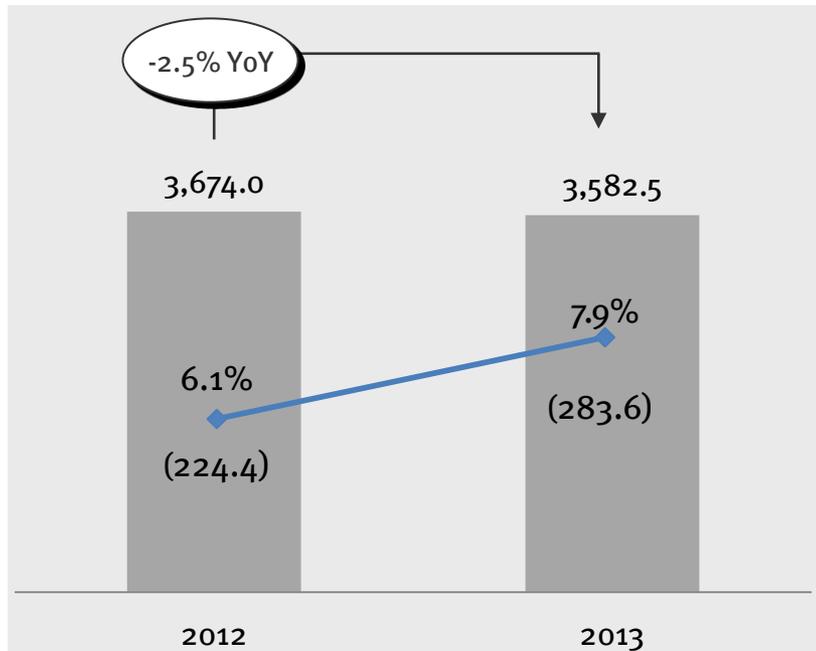
- Although sales in 1Q was temporarily sluggish, DII achieved 2012 level sales thanks to M/S increase followed by M-series launching in NAO
- Margin improved substantially YoY due to favorable sales mix and cost reduction activities

4Q13

- Sales increased YoY thanks to 1) sales volume increase in NAO/Europe and 2) continuous M/S growth in NAO
- EBIT increased significantly YoY backed by not only operating leverage but also the favorable mix/enhanced cost competitiveness

DII's 2013 Sales & EBIT*

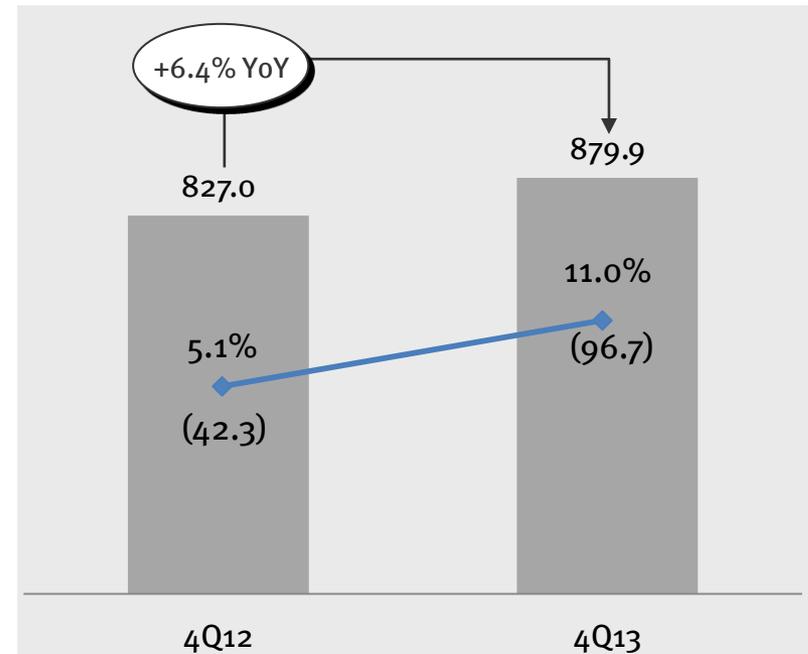
(Unit : KRW billion)



* Net impact of Territory Transfer (- MEA Heavy / +CIS Compact) for 2012: -258.1 KRW billion for sales, -0.9 KRW billion for EBIT

DII's 4Q13 Sales & EBIT*

(Unit : KRW billion)



* Net impact of Territory Transfer (- MEA Heavy / +CIS Compact) for 4Q12: -64.5 KRW billion for sales, +2.9 KRW billion for EBIT

Financial structure *

- Liabilities/Equity ratio is significantly dropped to 223.5% from 305.4% QoQ thanks to financial soundness enhancement activities
- Shareholder's equity increased by KRW 627.6 billion and Liabilities decreased by KRW 989.7 billion thanks to issuance of GDR(Global Depositary Receipts) and decrease in allowance for retirement liability at DII

Balance Sheet

(Unit : KRW billion)

	2012	3Q13	2013	YoY(amount)
Current Assets	3,862.0	4,093.6	3,706.2	-387.4
Fixed Assets	7,683.0	7,750.1	7,775.3	+25.2
Total Assets	11,545.0	11,843.7	11,481.5	-362.2
Total Liabilities	8,536.2	8,922.2	7,932.5	-989.7
- Net Debt	5,504.9	5,561.8	4,908.8	-653.0
Total Shareholders' Equity	3,008.8	2,921.4	3,549.0	+627.6
Liabilities/Equity Ratio	283.7%	305.4%	223.5%	-81.9%p

* Figures are based on consolidated K-IFRS

Business segment information

• DII quarterly results and backlog

(Unit : KRW billion)

	4Q12	1Q13*	2Q13	3Q13	4Q13
Sales	827.0	822.2	966.0	914.4	879.9
EBIT	42.3	34.0	72.3	80.6	96.7
EBIT margin (%)	5.1%	4.1%	7.5%	8.8%	11.0%

* Figures not reflected Territory Transfer (- MEA Heavy / +CIS Compact)

• DI's monthly sales unit and M/S in China

(Unit: unit,%)		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2012	Market	4,778	14,646	21,551	13,729	9,630	7,614	5,310	4,817	5,096	5,479	5,881	6,309	104,840
	DI	399	1,659	1,975	1,227	848	535	498	383	389	405	435	376	9,129
	M/S	8.4%	11.3%	9.2%	8.9%	8.8%	7.0%	9.4%	8.0%	7.6%	7.4%	7.4%	6.0%	8.7%
2013	Market	4,324	5,521	20,784	15,467	10,834	7,715	5,725	5,706	6,384	6,929	7,569	7,909	104,867
	DI	321	460	1,691	1,328	838	540	485	436	482	513	570	554	8,218
	M/S	7.4%	8.3%	8.1%	8.6%	7.7%	7.0%	8.5%	7.6%	7.6%	7.4%	7.5%	7.0%	7.8%

• Machine Tools BG New order trend

(Unit: unit)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012	874	1,118	1,097	1,021	1,021	982	841	764	797	760	806	838
2013	852	892	1,078	1,029	1,063	905	845	871	850	860	892	960

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1 2013 Results

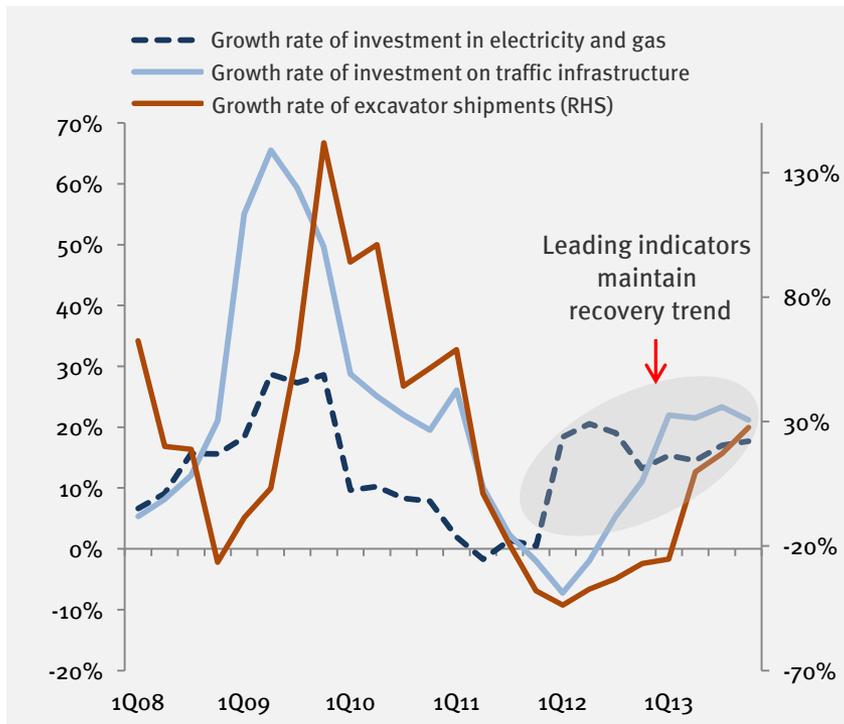
2 4Q13 FAQ

3 Highlights (Outlook & Strategy)

Q1. What is DI's outlook for China market in 2014 and corresponding strategies?

- Improvements of excavator sales and FAI related indices are underway and gradual recovery in construction equipment market is expected in 2014
- We expect to outperform the market as we have focused on strengthening competitiveness as well as profitability in preparation for market recovery by,
 - 1) reorganizing dealers
 - 2) enhancing product line up and
 - 3) reduction in production facilities and personnel

FAI and excavator shipments growth



Source: National Bureau of Statistics of China, CCMA

Strategies to strengthen profitability and outperform

Efficient Channel

- Strengthening sales power
 - Restructuring completed for about 90% of underperforming dealers
 - Enhancing the capability of extra-large excavator sales team(KAM*)

Products

- Launched new small products (7.5 tons, 12 tons)
 - Small excavator segment accounts for app. 50% of the market
 - 7~13 tons accounts for app. 70% of the market
 - Expand exports of Wheel Loaders manufactured in China : expected to increase by app. 60% YoY

Profitability Improvement

- Scale down operation (Production / personnel)
- Strengthen AM(After Market) business
 - 15% growth in '13, expect to growth 20% in '14(E)

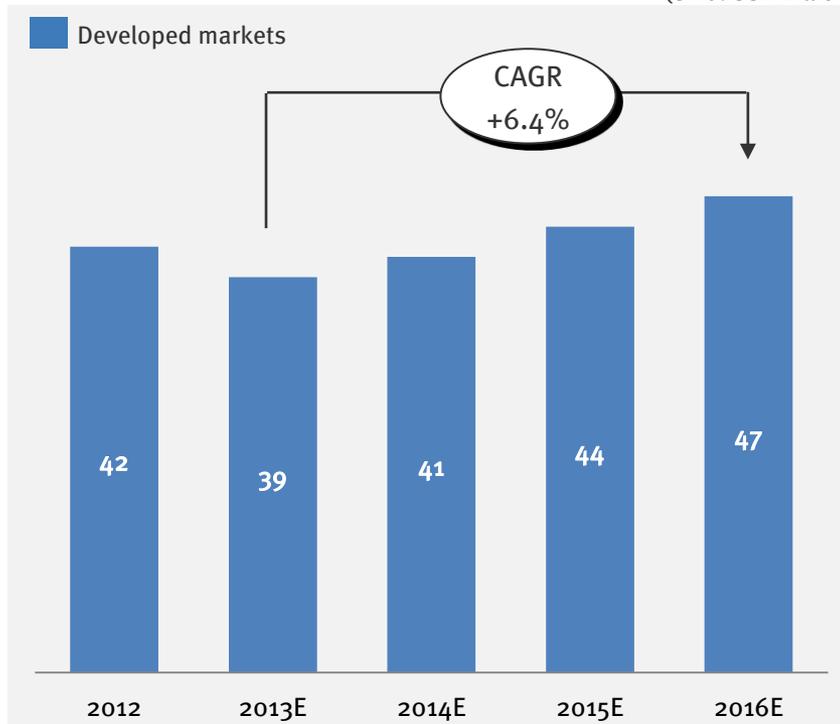
*Key Account Management

Q2. Could DII show additional improvement in performance?

- Although there could be possible temporarily price resistance due to newly adopting Tier4F Emission regulation, DII's solid growth is expected to continue in a long term given recovery signs in developed markets
- We strengthened our presence as a market leader thanks to increase in M/S, and we plan to focus on strengthening profitability by favorable product mix and cost improvement activities

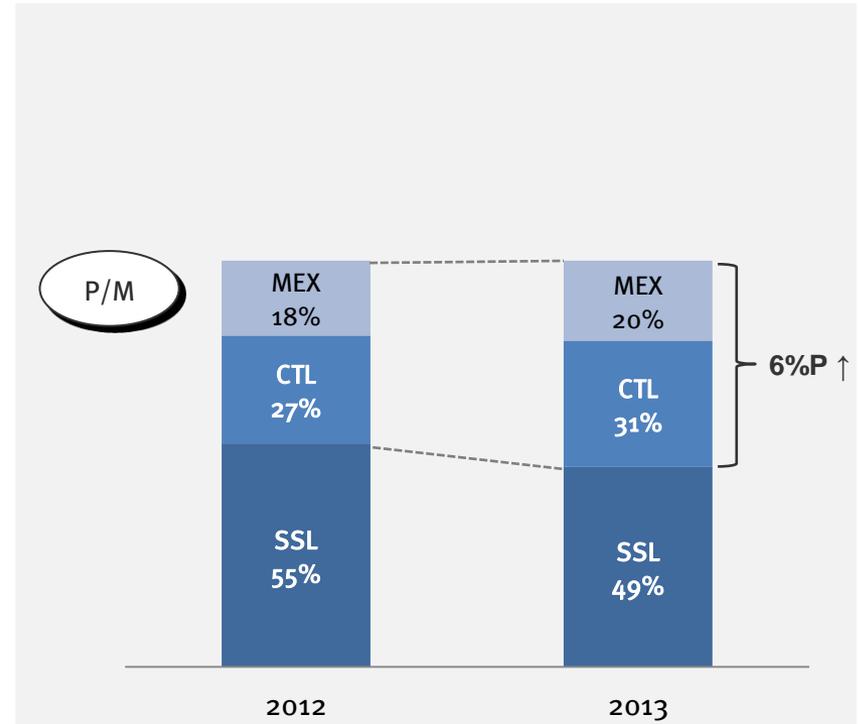
Construction equipment sales in developed markets

(Unit : USD Billion)



Source: Off-Highway Research

M/S and product mix trend of key products in NAO*



* 6MMA M/S

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1 2013 Results

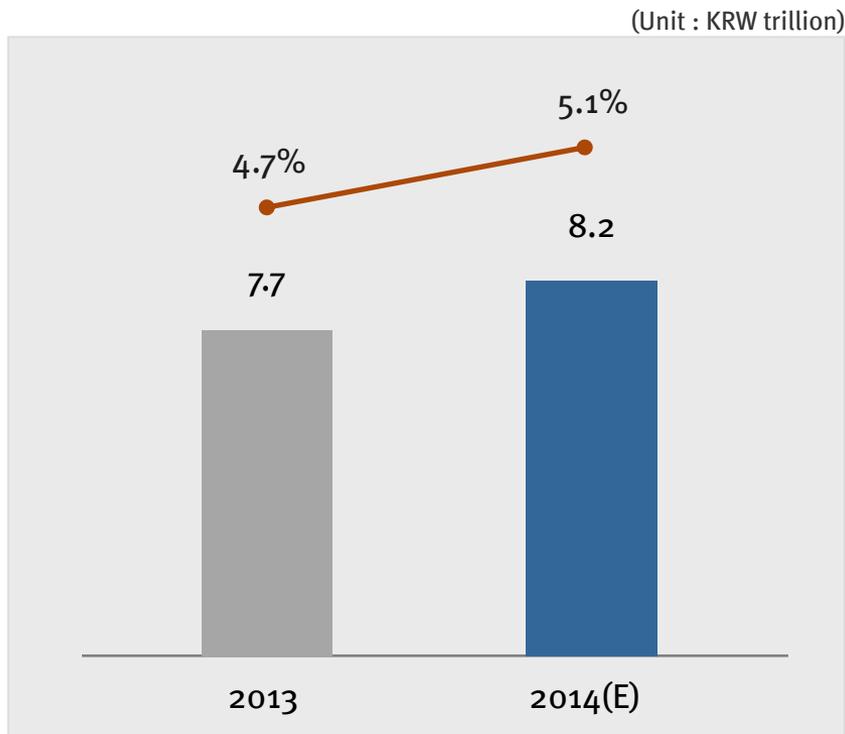
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3 Highlights (Outlook & Strategy)

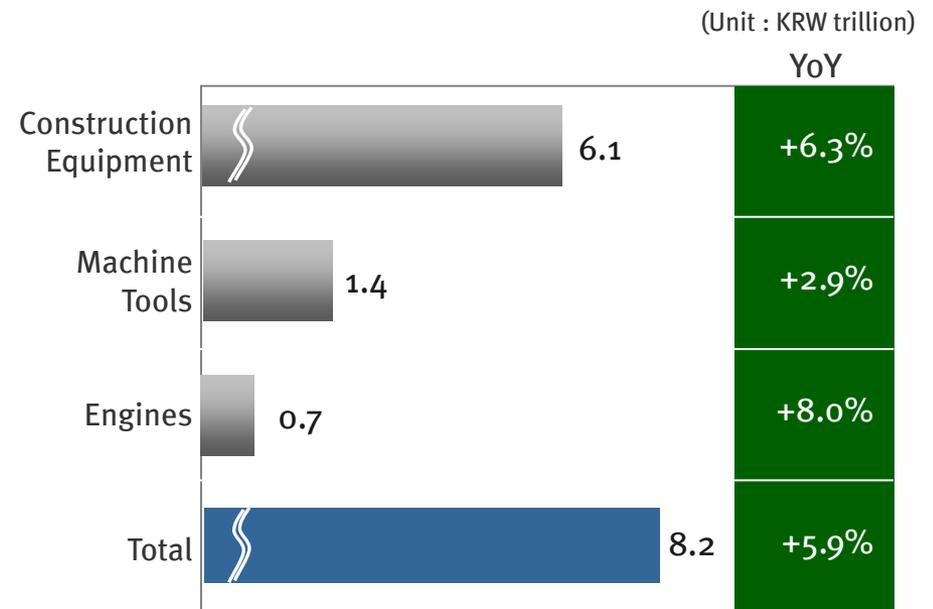
2014 outlook *

- Sales to increase 6% YoY to KRW8.2 trillion given a recent recovery trend
- EBIT to grow 13% YoY to KRW417 billion through continued profitability enhancing activities and turnaround of Engine division

Sales and EBIT margin



Sales outlook by division



* Figures are based on consolidated K-IFRS

Key Strategies for 2014

- Accelerate to firmly form a business structure that generates operating cash flow even in stagnant economy

Main Details

Improve cost structure / cash flow

- ① Enhance cost competitiveness through 2% reduction in the material cost by VA/VE¹⁾ as well as localization and publication/modularization of parts
- ② 10% reduction in warranty cost per unit by upgrading quality and improving regional warranty cost structure
- ③ Enhance efficiency in fixed costs by improving profitability of low-margin businesses and continuous management efficiency
- ④ W/C management by O/D reduction and improving inventory management through strengthening sales forecasting accuracy

Maximize revenue through diversification in main source of income

- ① Launch competitiveness enhanced new products²⁾, expand sales through strengthened channels
 - C/E : Extend wheel loader biz in China/EM, heavy biz in NAO/EMEA and maintain 22 tons sales volume in major market
 - Engine and M/T : Strengthening line up for G2 Engine(including agricultural equipment and forklifts as well as Bobcat) and machine tools with mid-sized/economic product
- ② Increase sales of high-margin model
 - Large-sized equipment, compact products in DM, Generators/Shipping/CNG engines for Engine division and GT³⁾ series for M/T division
- ③ Expand AM sales by enhanced sales capacity, diversification of business and improving parts supply
 - Plan to grow 20% YoY in Heavy AM

1) Value Analysis/Value Engineering, 2) 19 new heavy products to be launched (Tier change, Face lift, Line-up enhancement, etc), 3) Global Turning



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