



Doosan Infracore

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# 2014 2Q Investor Meeting

Jul 2014



# Disclaimer

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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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# 2Q14 results \*

- Sales decreased slightly YoY due to 1) sluggish China market 2) fall in the exchange rate (KRW appreciation)
- Despite decrease in sales, EBIT improved substantially YoY thanks to 1) continued favorable results at DIBH\*\* and Machine Tools division 2) improved profitability of Engine division 3) benefit from enhanced cost structure
- Net income turned to black thanks to 1) increase in EBIT 2) one-off income tax benefit\*\*\*

## Results

(Unit : KRW billion)

	2Q13	3Q13	4Q13	1Q14	2Q14	YoY	QoQ
Sales	2,181.6	1,879.5	1,886.5	1,808.8	2,113.3	-3.1%	16.8%
EBIT	121.2	103.0	88.2	98.9	145.5	20.0%	47.1%
EBIT margin (%)	5.6%	5.5%	4.7%	5.5%	6.9%	1.3%p	1.4%p
(Net Financial Cost)	73.3	74.5	72.1	69.9	66.8	-8.9%	-4.4%
(F/X gains/losses)	-18.2	35.8	25.1	-5.3	9.4	TB	TB
Net Profit	-19.4	20.8	-25.4	1.8	79.2	TB	4,300.0%

\* Figures are based on consolidated K-IFRS

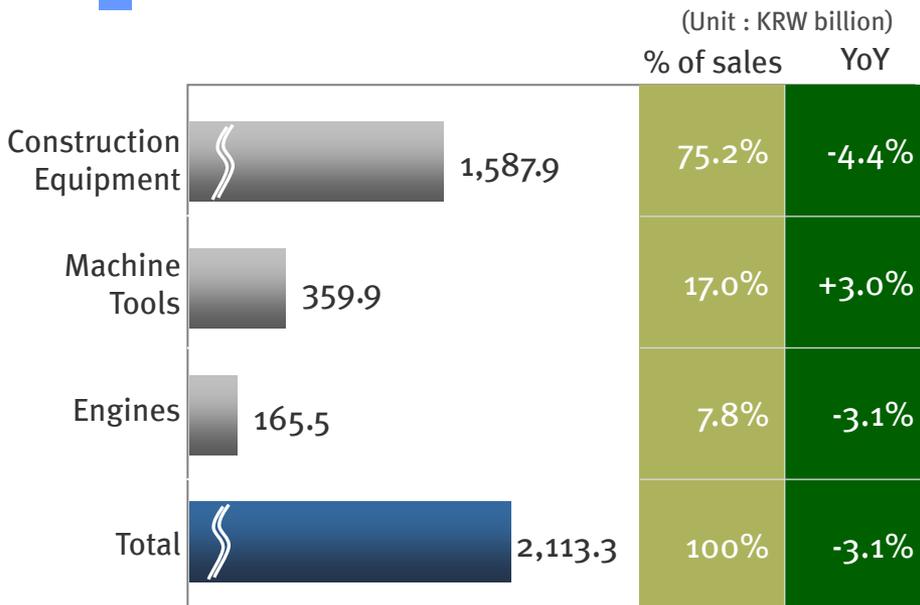
\*\* DIBH: Doosan Infracore Bobcat Holdings, same as previous DII

\*\*\* Income tax benefit is 36.0KRW billion including tax benefit from DIBH split

# 2Q14 divisional sales & EBIT \*

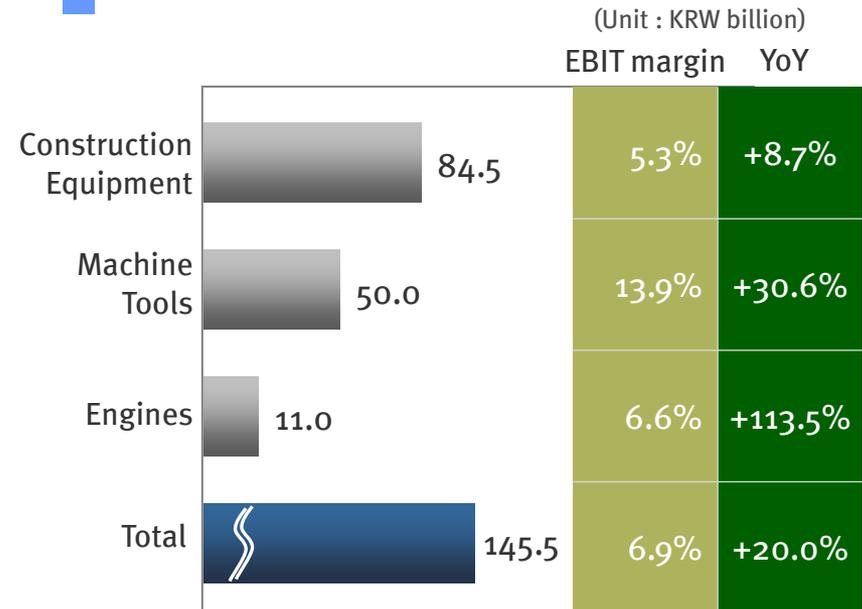
- CE: EBIT improved in spite of decrease in sales due to 1) favorable performance in developed markets  
2) enhanced cost structure / decrease in expense in China
- MT: Sales increased in most regions, and EBIT increased significantly thanks to  
1) expanded sales in cost enhanced models(G-Series) 2) improved cost structure
- EG: EBIT increased substantially as G2 engine shipment to Bobcat has increased

## Sales



\* Figures are based on consolidated K-IFRS

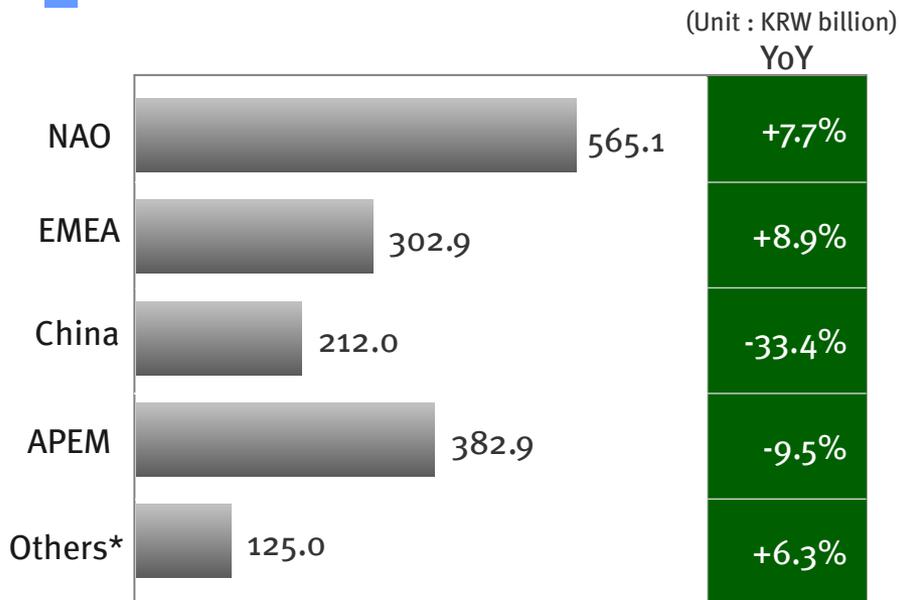
## EBIT & Margin



# 2Q14 construction equipment BG details \*\*

- Sales increased in developed markets such as NAO/EMEA but decreased in China/APEM
- Sales and EBIT at DIBH increased YoY, resulted from solid market condition in North America and market recovery in Europe

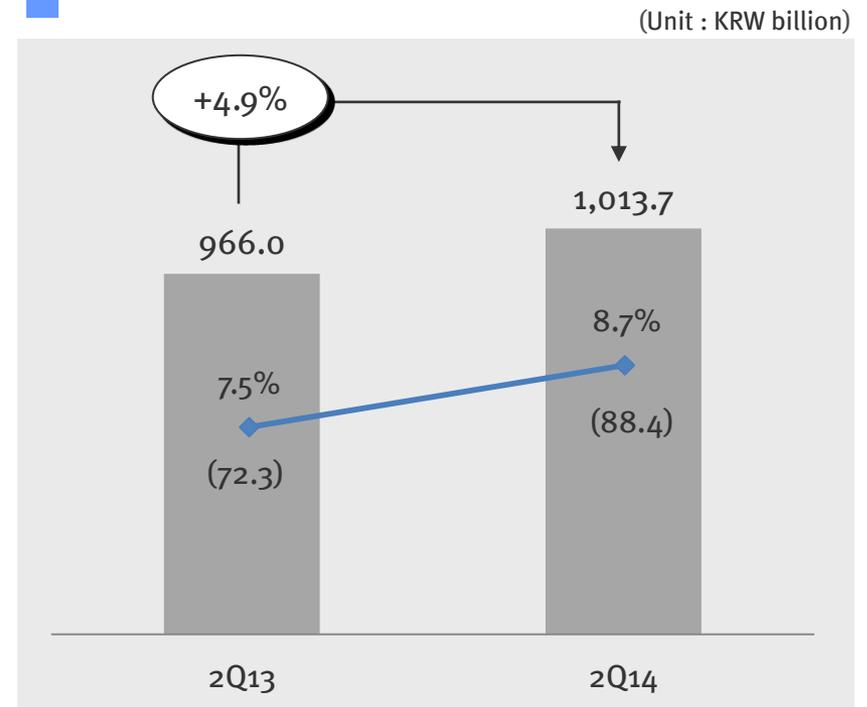
## CE regional breakdown



\* Others include sales from DIPP, ADT and Headquarter

\*\* Figures are based on consolidated K-IFRS

## DIBH's sales and EBIT



# Financial structure \*

- The reporting currency appreciation resulted in foreign currency denominated assets and liabilities translated into fewer KRW

## Balance Sheet

	(Unit : KRW billion)				
	2012	2013	1Q14	2Q14	QoQ(amount)
Current Assets	3,862.0	3,706.2	4,276.2	4,263.3	-12.9
Fixed Assets	7,683.0	7,775.3	7,819.5	7,557.5	-262.0
<b>Total Assets</b>	<b>11,545.0</b>	<b>11,481.5</b>	<b>12,095.7</b>	<b>11,820.8</b>	<b>-274.9</b>
<b>Total Liabilities</b>	<b>8,536.2</b>	<b>7,932.5</b>	<b>8,540.2</b>	<b>8,395.5</b>	<b>-144.7</b>
- Net Debt	5,504.9	4,908.8	5,024.6	5,068.8	+44.2
Total Shareholders' Equity	3,008.8	3,549.0	3,555.5	3,425.4	-130.1
<b>Liabilities/Equity Ratio</b>	<b>283.7%</b>	<b>223.5%</b>	<b>240.2%</b>	<b>245.1%</b>	<b>+4.9%p</b>

\* Figures are based on consolidated K-IFRS

# Business segment information

## • DIBH's quarterly results

(Unit : KRW billion)

	2Q13	3Q13	4Q13	1Q14	2Q14
Sales	966.0	914.4	879.9	820.5	1,013.7
EBIT	72.3	80.6	96.7	40.6	88.4
EBIT margin	7.5%	8.8%	11.0%	5.0%	8.7%

## • China monthly unit sales and M/S

(Unit : unit)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
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	<b>321</b>	<b>460</b>	<b>1,691</b>	<b>1,328</b>	<b>838</b>	<b>540</b>	<b>485</b>	<b>436</b>	<b>482</b>	<b>513</b>	<b>570</b>	<b>554</b>	<b>8,218</b>
	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%
2014	Market	4,096	9,017	19,277	12,471	7,392	5,752							58,005
	DI	<b>358</b>	<b>839</b>	<b>1,803</b>	<b>1,002</b>	<b>577</b>	<b>398</b>							<b>4,977</b>
	M/S	8.7%	9.3%	9.4%	8.0%	7.8%	6.9%							8.6%

## • Machine Tools division New order

(Unit : unit)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	852	892	1,078	1,029	1,063	905	845	871	850	860	892	960
2014	<b>873</b>	<b>1,054</b>	<b>1,233</b>	<b>1,197</b>	<b>1,254</b>	<b>917</b>						

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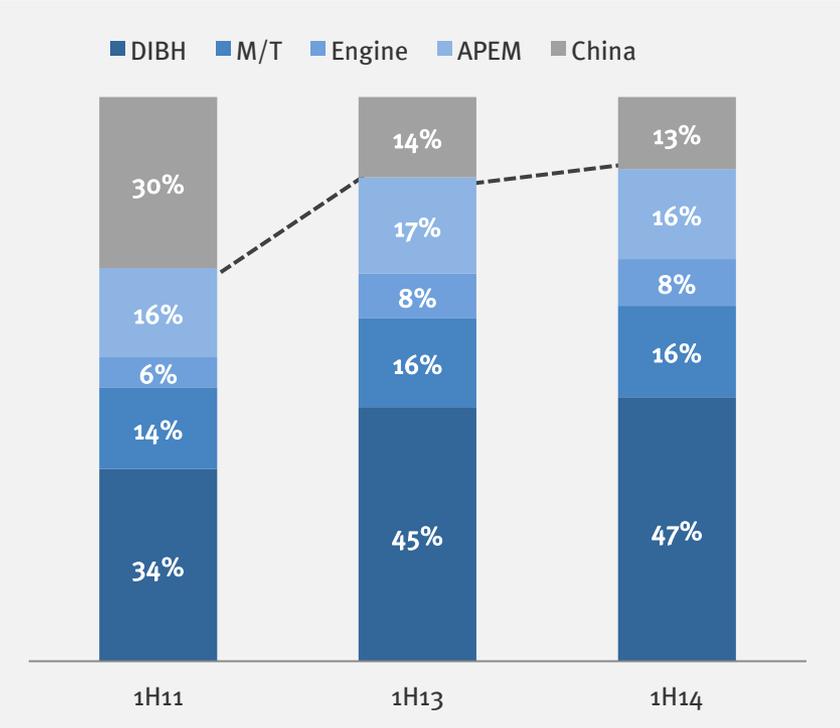
**2Q14 FAQ**

# Q. Even with weakness in China, can DI continue to show favorable performance?

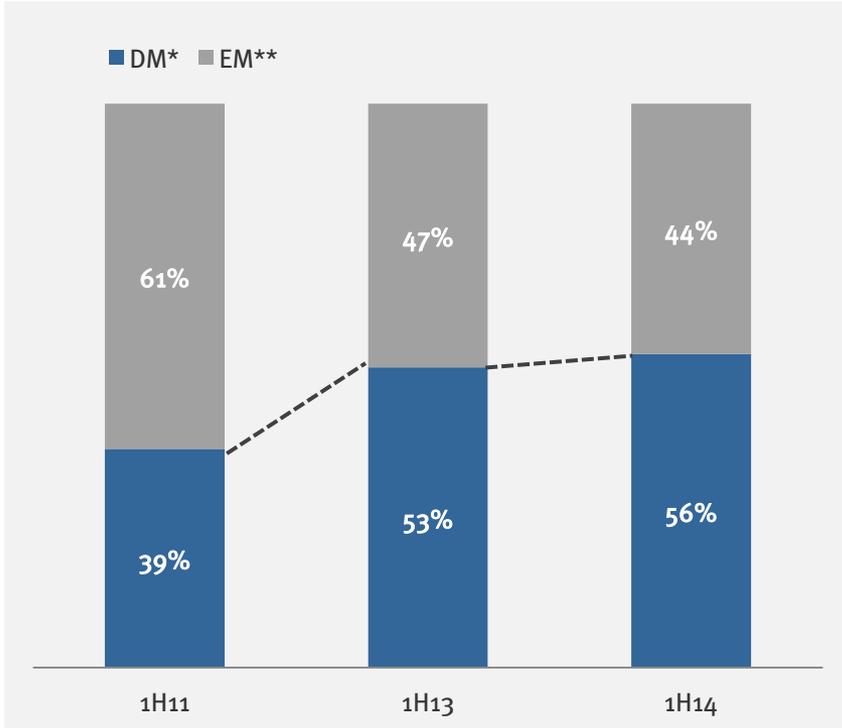
## ① Diversified business portfolio

- As weight of China decreased, its sluggish market condition has limited impact on the overall result
- Secured relatively higher portion of developed markets, resulted in favorable performance

Divisional/regional sales breakdown trend



DM/EM sales breakdown trend



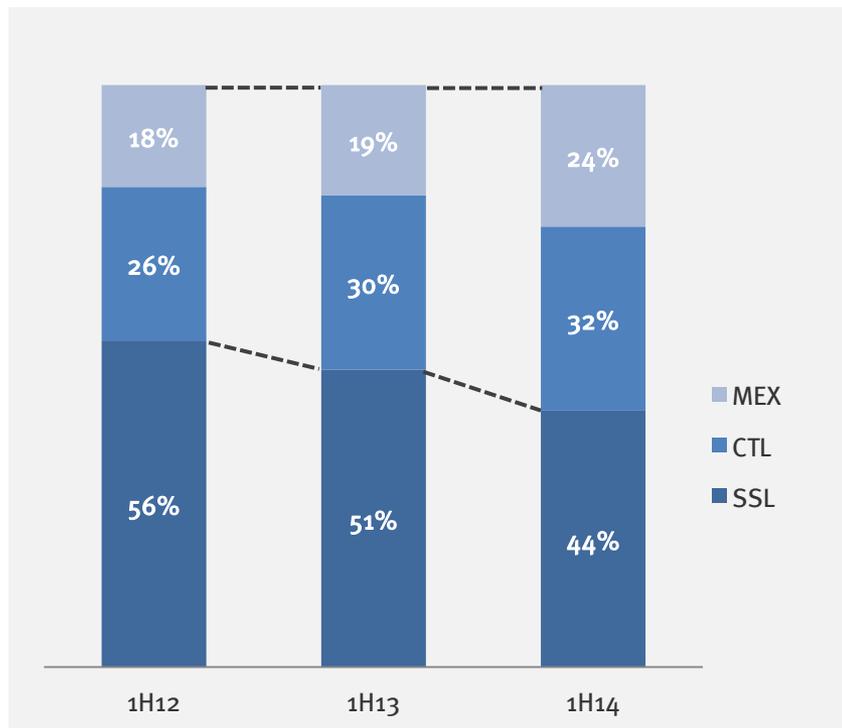
\* DM: DIBH/ North America and Europe portion in each of division  
 \*\* EM: Domestic/China/APEM portion in each of division

# Q. Even with weakness in China, can DI continue to show favorable performance?

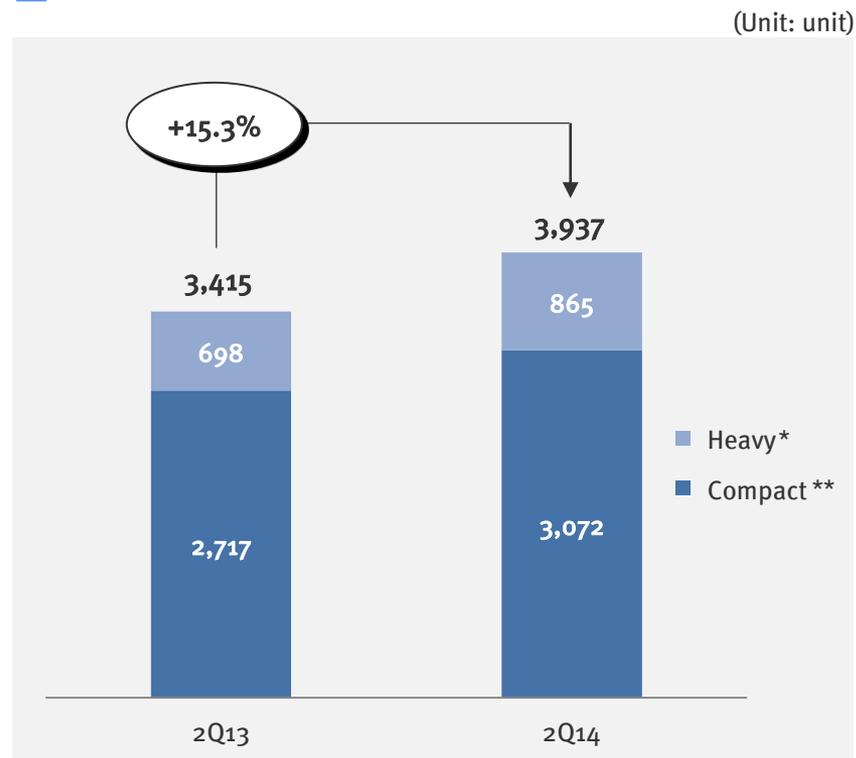
## ② favorable DIBH

- NAO: Sales increased thanks to 1) improved product mix driven by expansion of higher margin products  
2) increase in selling price by adopting T4F
- Europe: Sales increased on the back of volume growth followed by recent economic recovery

### Product mix trend of key products in NAO



### EMEA Heavy/Compact CE sales volume



\* Heavy: HEX + WLD  
\*\* Compact: SSL + CTL + MEX

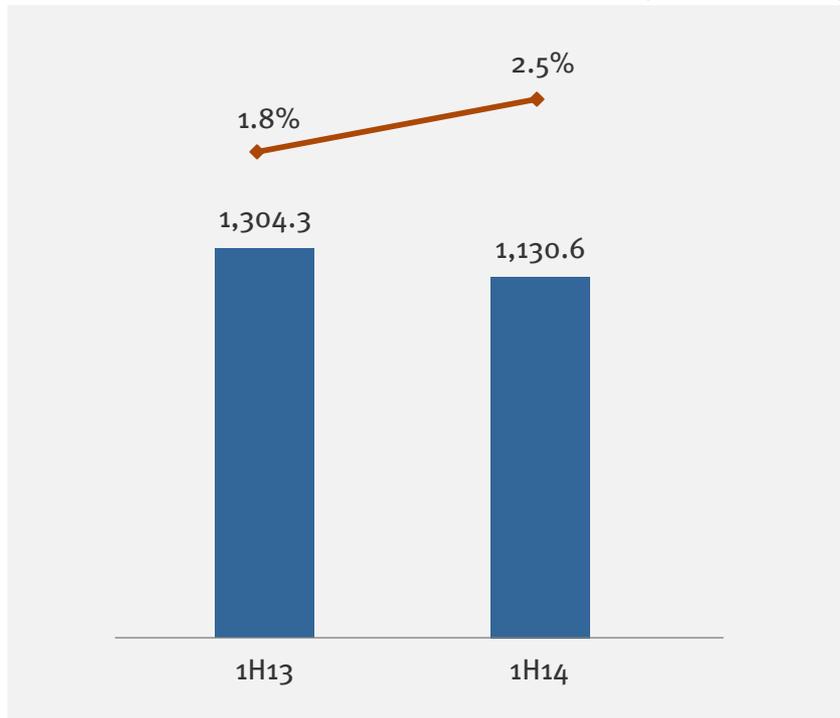
## Q. Even with weakness in China, can DI continue to show favorable performance?

### ③ management efficiency

- EBIT in China/APEM increased in spite of sales decline resulted from sluggish market condition
- Profitability improvement was driven by 1) China / APEM cost management and one-time cost reduction  
2) effect of China restructuring, carried out previously

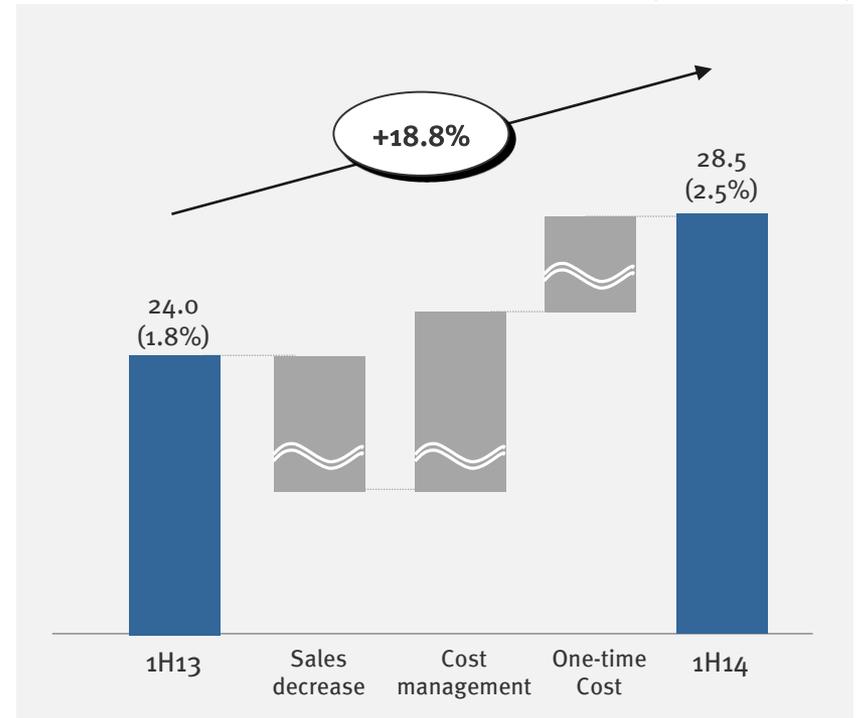
#### Sales and EBIT margin in China/APEM

(Unit: KRW billion)



#### Profitability improvement

(Unit: KRW billion)

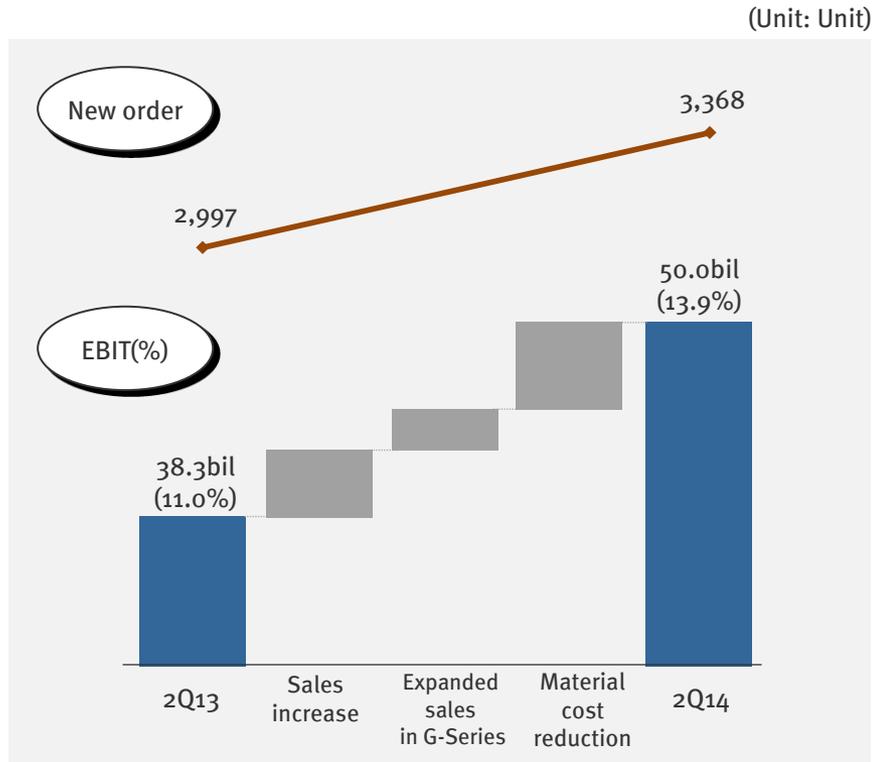


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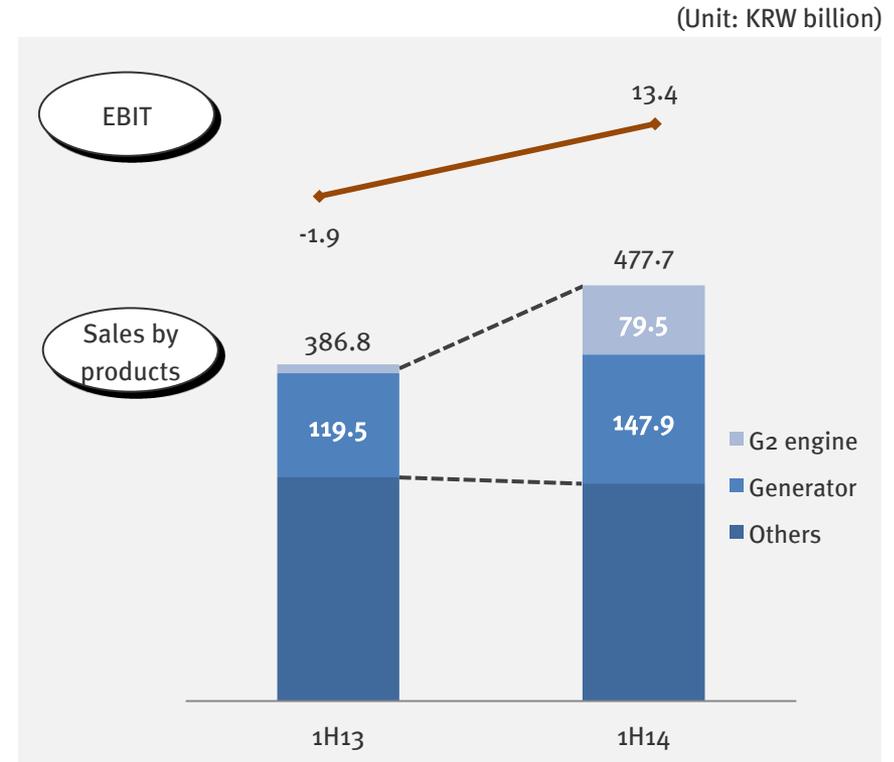
## ④ profitability increase in MT/EG division

- MT: New orders increased in 2Q and profitability improved due to 1) sales increase 2) expanded sales in G-series 3) Yen-related material costs reduction
- EG: EBIT turned to black in 1H14 thanks to 1) increase in G2 engine shipment 2) increase in generator sales from shale gas exploitation. Additional margin improvement is expected with sequential replacement of G2 engine

### New order trend and profit increase in MT BG



### Sales\* and EBIT in Engine BG



\* Include Inter-company sales