



Doosan Infracore

DOOSAN INFRACORE

# 2009 1H Investor Meeting

July 2009



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**DII 2Q09 Results & Highlights**

# 2009 2Q results (Consolidated \*)

Unit : KRW billion, %

- Consolidated sales on a steady recovery since 4Qo8 despite the global recession
- Sizable improvement in EBIT due to preemptive efforts for inventory management and demand recovery

|                  | 2Qo8    | 4Qo8   | 1Qo9   | 2Qo9  | QoQ     | YoY    |
|------------------|---------|--------|--------|-------|---------|--------|
| Sales            | 1,314.1 | 837.3  | 930.5  | 943.3 | 1.4%    | -28.2% |
| EBIT             | 159.5   | -40.5  | -38.0  | 96.4  | TB      | -63.1  |
| EBIT margin (%)  | 12.1%   | -4.8%  | -4.1%  | 10.2% | +14.3%p | -1.9%p |
| EBITDA           | 183.3   | -20.3  | 7.6    | 100.6 | +93.0   | -82.7  |
| (Financial cost) | 23.2    | 35.1   | 42.2   | 46.6  | +4.4    | +23.4  |
| Pretax profit    | 67.4    | -186.2 | -133.7 | 150.2 | TB      | +82.8  |

\* Consolidated results exclude DII's performance

# 2009 2Q results

Unit : KRW billion, %

- EBIT on recovery for two consecutive quarters after bottoming out in 4Qo8
- Pretax profit turned positive due to better performance at overseas subsidiaries and asset disposal gains

|                        | 2Qo8 *  | 4Qo8 * | 1Qo9   | 2Qo9  | QoQ    | YoY    |
|------------------------|---------|--------|--------|-------|--------|--------|
| Sales                  | 1,010.0 | 568.6  | 651.6  | 626.1 | -3.9%  | -38.0% |
| EBIT                   | 155.1   | -32.9  | 44.1   | 37.1  | -15.9% | -76.1% |
| EBIT margin (%)        | 15.4%   | -5.8%  | 6.8%   | 5.9%  | -0.9%p | -9.5%p |
| EBITDA                 | 172.7   | -15.9  | 66.0   | 53.8  | -18.5% | -68.8% |
| (Financial cost)       | 12.9    | 21.2   | 31.3   | 37.4  | +19.5% | 190.0% |
| (Equity method)        | -18.0   | -353.0 | -220.3 | -56.1 | -      | -      |
| (Asset disposal gains) |         |        |        | 221.6 | -      | -      |
| Pretax profit          | 56.6    | -181.5 | -127.2 | 141.8 | -      | 150.5% |

\* Excluded defense division sales and EBIT for apple-to-apple comparison

# 2009 2Q divisional sales & EBIT

Unit : KRW billion, %

- All divisions except for the seasonally weak construction equipment division improved QoQ

## Sales

|                        |       | QoQ    | YoY    |
|------------------------|-------|--------|--------|
| Construction Equipment | 278.4 | -15.1% | -32.0% |
| Machine Tools          | 107.5 | +0.6%  | -57.8% |
| Engines                | 104.2 | +15.0% | -16.9% |
| Others                 | 136.0 | +7.8%  | -38.3% |
| Total                  | 626.1 | -3.9%  | -38.0% |

## EBIT

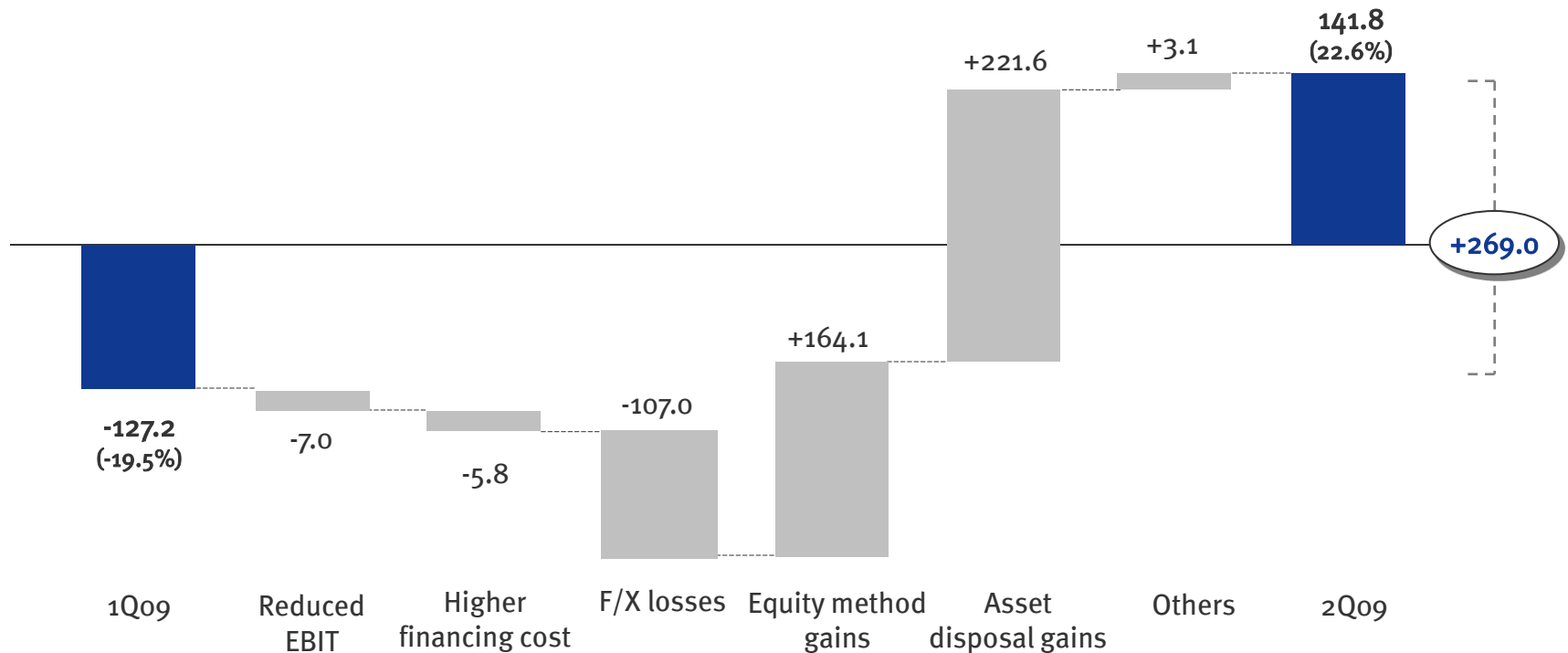
|                        |                 | QoQ      | YoY       |
|------------------------|-----------------|----------|-----------|
| Construction Equipment | 23.8<br>(8.6%)  | -45.8%   | -59.4%    |
| Machine Tools          | -7.8<br>(-7.2%) | (+5.1bn) | (-45.4bn) |
| Engines                | 10.8<br>(8.0%)  | +35.3%   | -51.4%    |
| Others                 | 10.2<br>(9.6%)  | 104.2%   | -72.0%    |
| Total                  | 37.1<br>(5.9%)  | -15.9%   | -76.1%    |

# 2009 2Q pretax profit analysis

Unit : KRW billion, %

- Pretax profit turned positive by KRW 269 billion thanks to QoQ improvement in equity method accounting and asset disposal gains from sale of DST and KAI

## QoQ comparison



# 2009 1H financials

Unit : KRW billion, %

- Total assets and liabilities declined after asset sales of KAI and DST
- With improved financial structure due to debt repayment, liabilities to equity ratio dropped to 241.3%

|                            | 07      | 08      | 1Q09    | 2Q09    |
|----------------------------|---------|---------|---------|---------|
| Current Assets             | 1,288.4 | 1,995.8 | 2,598.2 | 1,588.9 |
| Fixed Assets               | 1,918.9 | 2,929.8 | 2,939.5 | 3,274.8 |
| Total Assets               | 3,207.3 | 4,925.6 | 5,537.7 | 4,863.7 |
| Total Liabilities          | 2,098.0 | 3,379.9 | 4,104.0 | 3,438.7 |
| - Debts                    | 1,005.0 | 1,530.5 | 2,534.8 | 2,367.5 |
| (% of long-term debt)      | 87.1%   | 66.2%   | 54.1%   | 64.3%   |
| Total Shareholders' Equity | 1,109.3 | 1,545.7 | 1,433.8 | 1,425.0 |
| Liabilities/Equity Ratio   | 189.1%  | 218.7%  | 286.2%  | 241.3%  |



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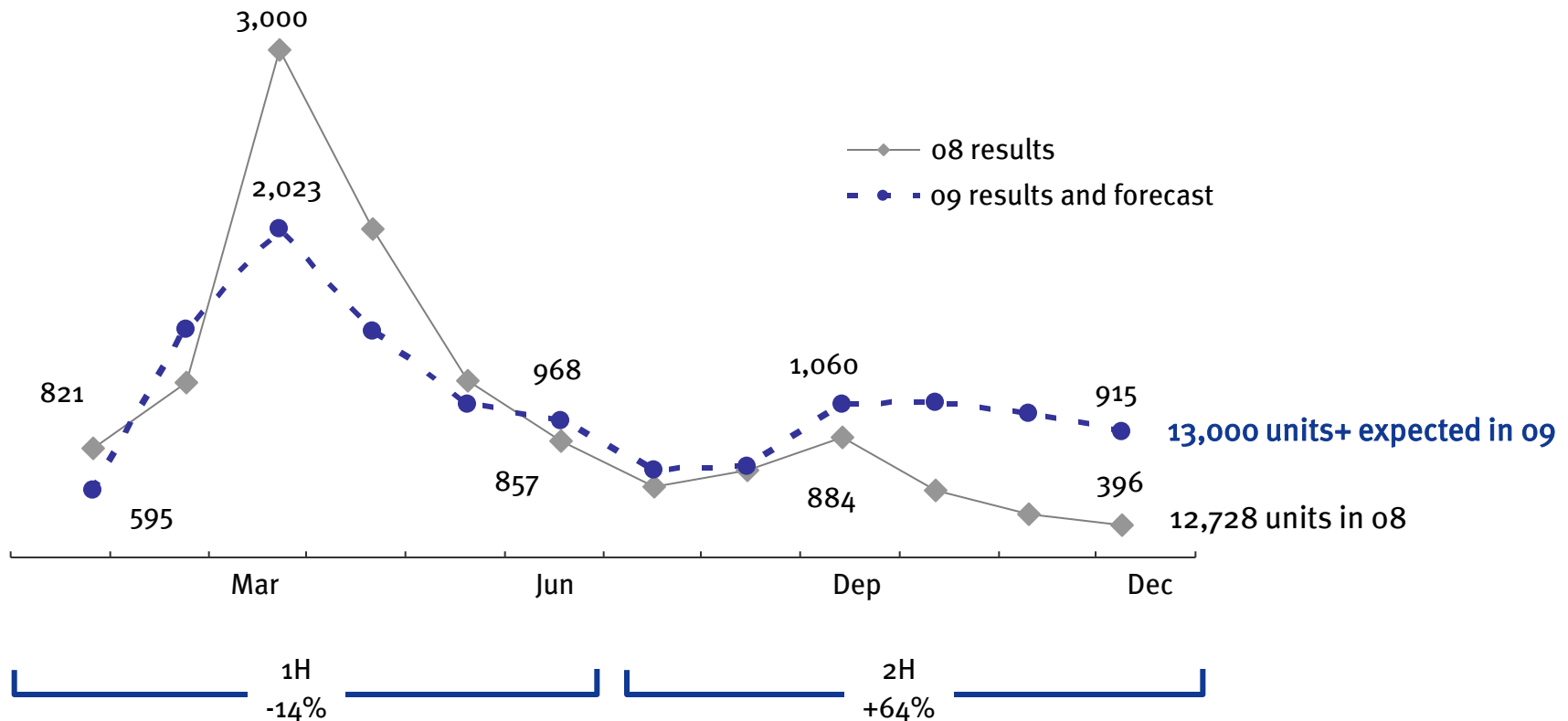
**DII 2Q09 Results & Highlights**

# 1-1 Construction equipment : Growing China

Unit : units, %

- Excavator sales volume turned positive YoY from June, despite a 14% YoY in 1H
- China's sizable economic stimulus package should help achieve sales volume growth of 64% YoY

## Excavator sales forecast for 2009

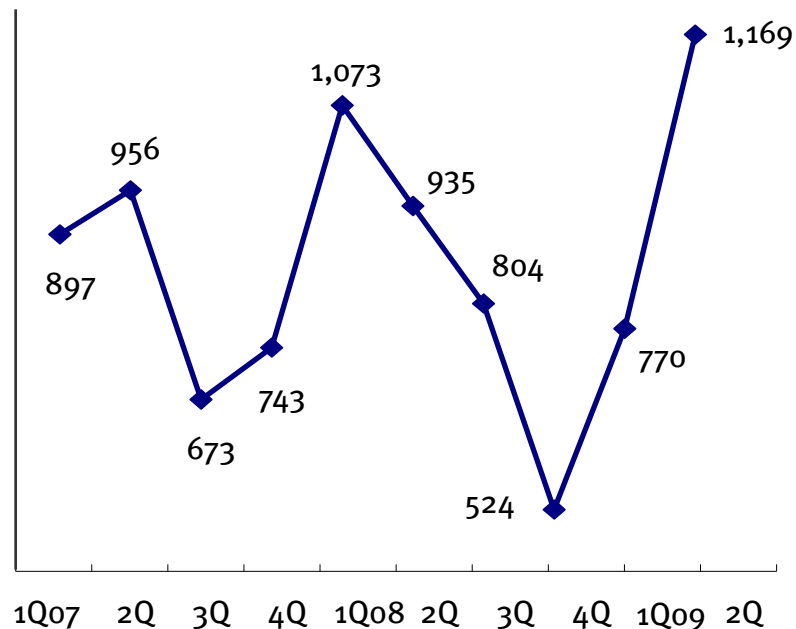


# 1-2 Construction equipment: Full-fledged growth in Korea

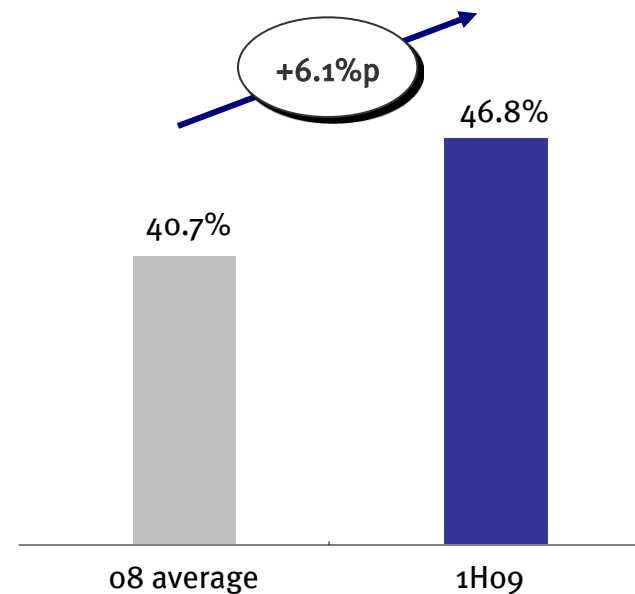
Unit : units, %

- Highest domestic sales volume since the Asian financial crisis with solid No. 1 market share in 2Q
- With Korea's stimulus package including the four rivers project, which is expected to trigger demand for larger equipments, we anticipate continued growth during 2H

Excavator sales trend in Korea



Market share in 1Q09 \*



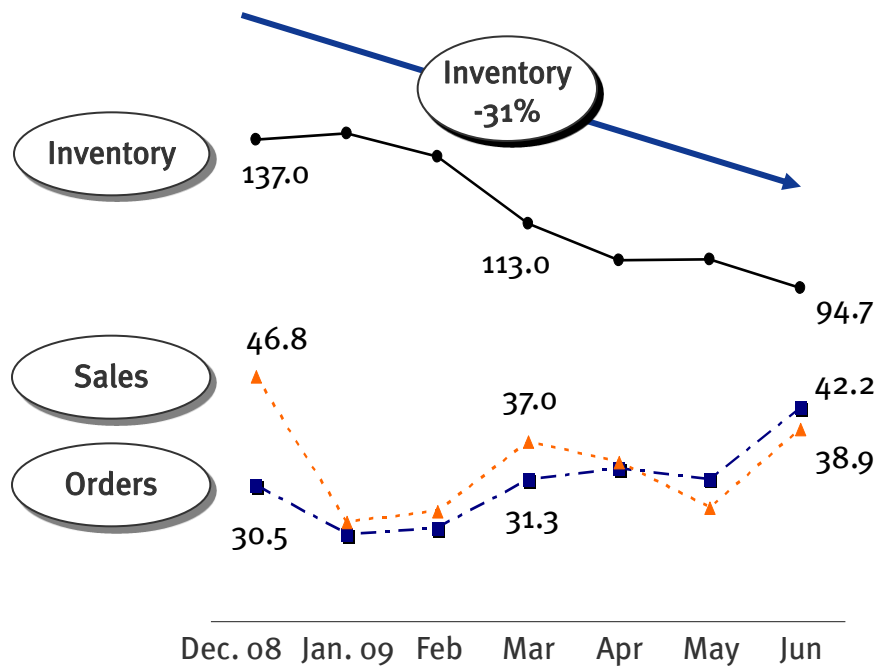
\* Market share for excavators above 5 tons

## 2 Machine tools: Sales growth phase

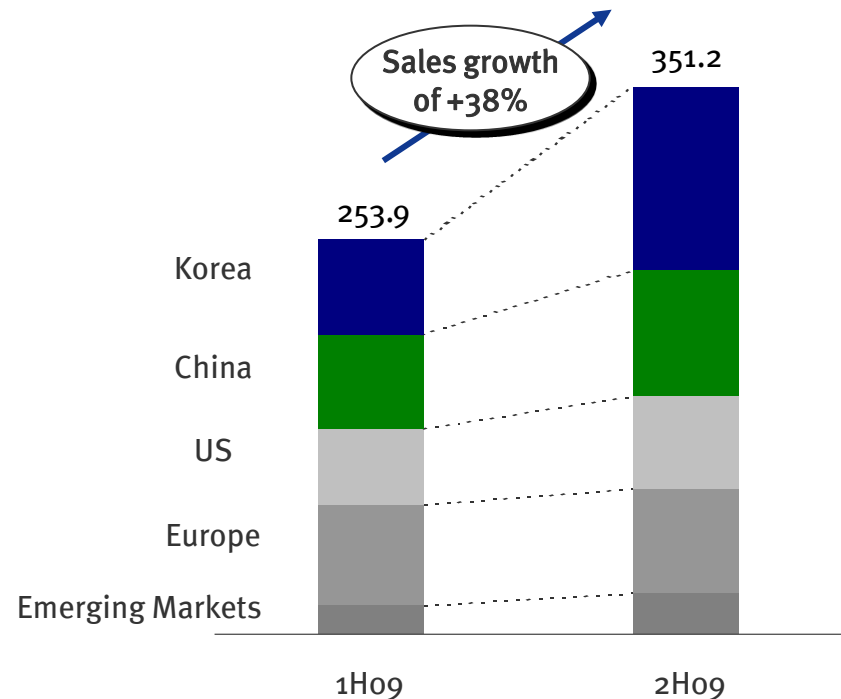
Unit : KRW billion, %

- Inventory dropped 31% in 1H (relative to end-o8), while orders continued to rise from January 09
- Sales in 2H should grow by 38% relative to 1H thanks to economic stimulus measures at home and abroad and greater corporate investments

Monthly results in 1H (Consolidated)



Sales forecast in 2H09 (Consolidated)

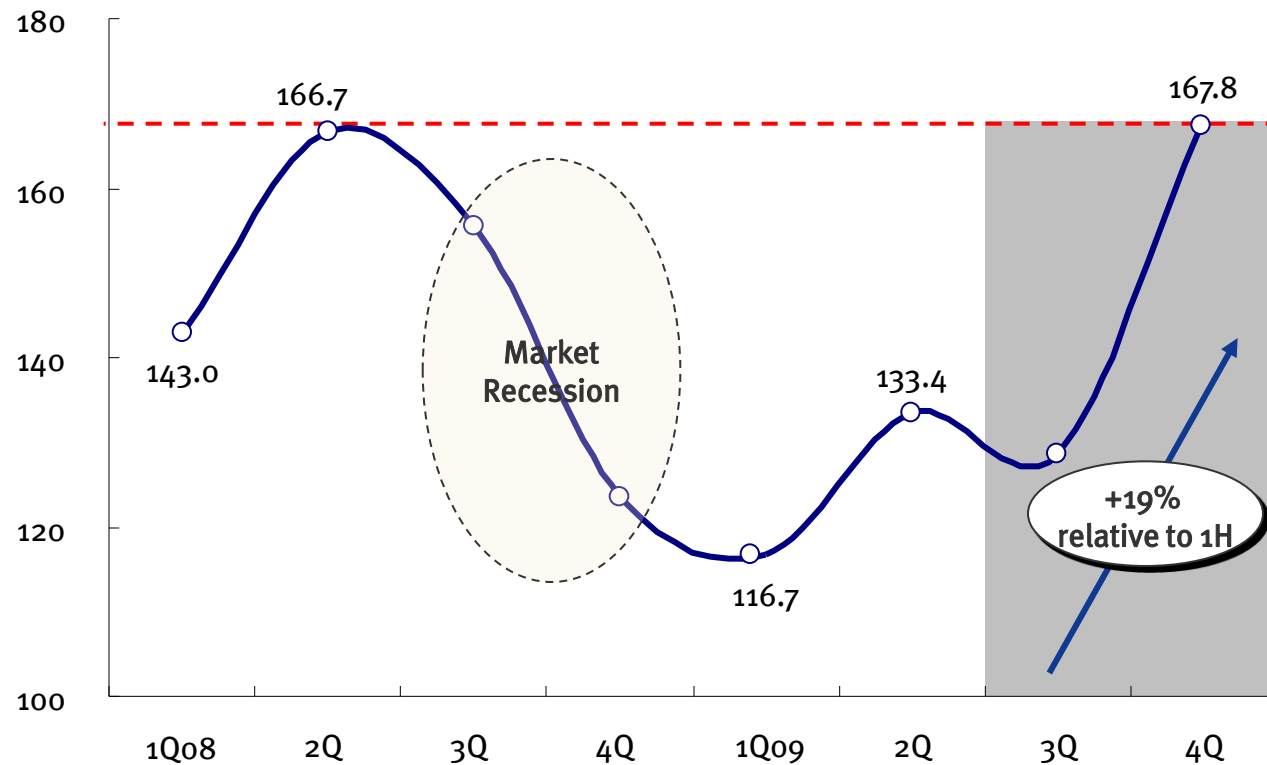


### 3 Engine: Sharp recovery from 2Q

Unit : KRW billion, %

- We expect 2H sales to grow by 19% (relative to 1H) in light of increased supply to captive and big account customers and continued development of new and sizable dealerships

#### Engine sales and forecast



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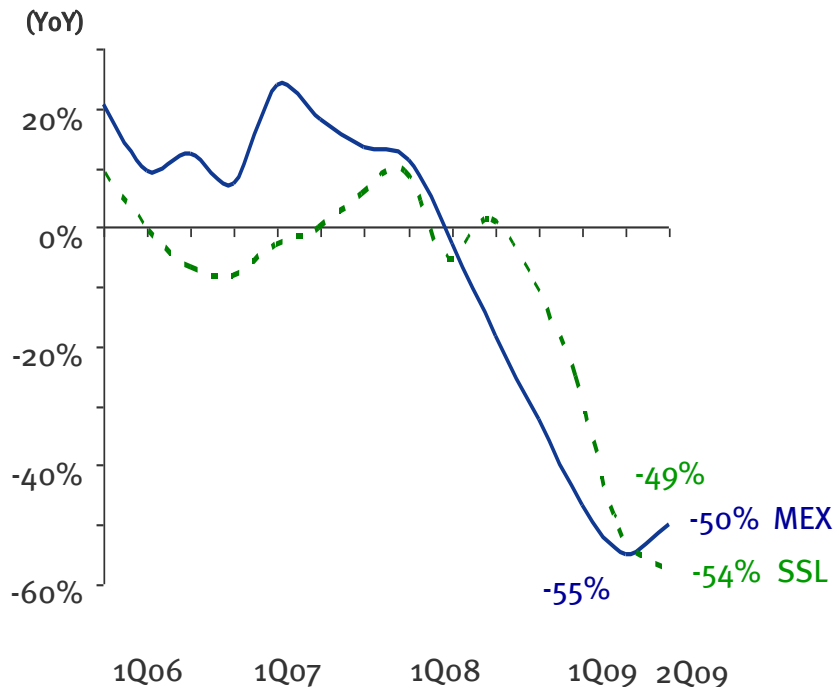
**DII 2Q09 Results & Highlights**

**- 2Q09 Results**

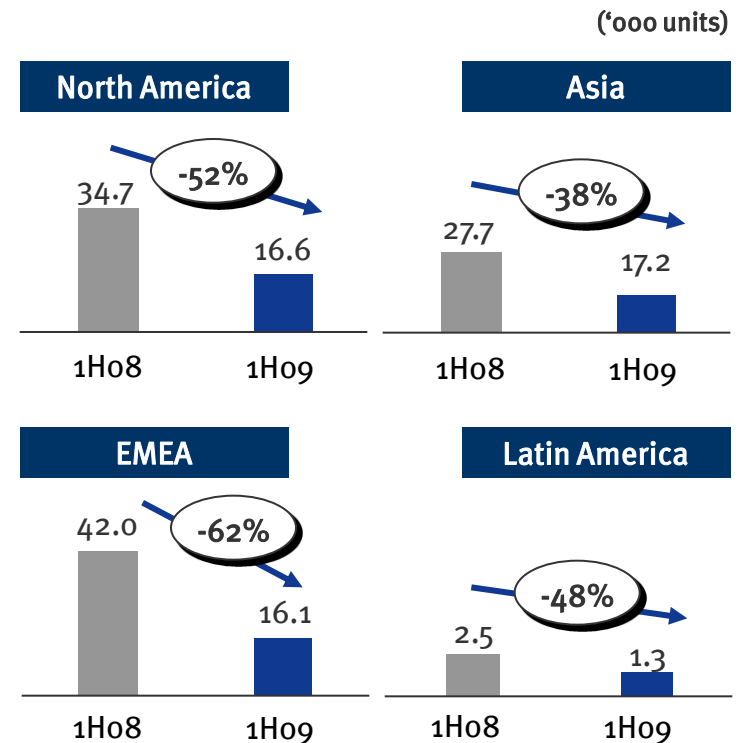
# Global compact equipment market bottoming out

- Compact equipment market in North America plunged 52%, EMEA 62%, Asia 38% and Latin America 48%
- Skid steer loader market is bottoming out, while the mini excavator market has rebounded in 2Q

## Global Market Growth by Product



## Global Market Growth by Region



# 2009 2Q results

Unit : US\$ million, %

- 31% QoQ sales growth thanks to new model launch and market share gains
- EBITDA and net profit improved only marginally due to heightened competition during a recessionary period

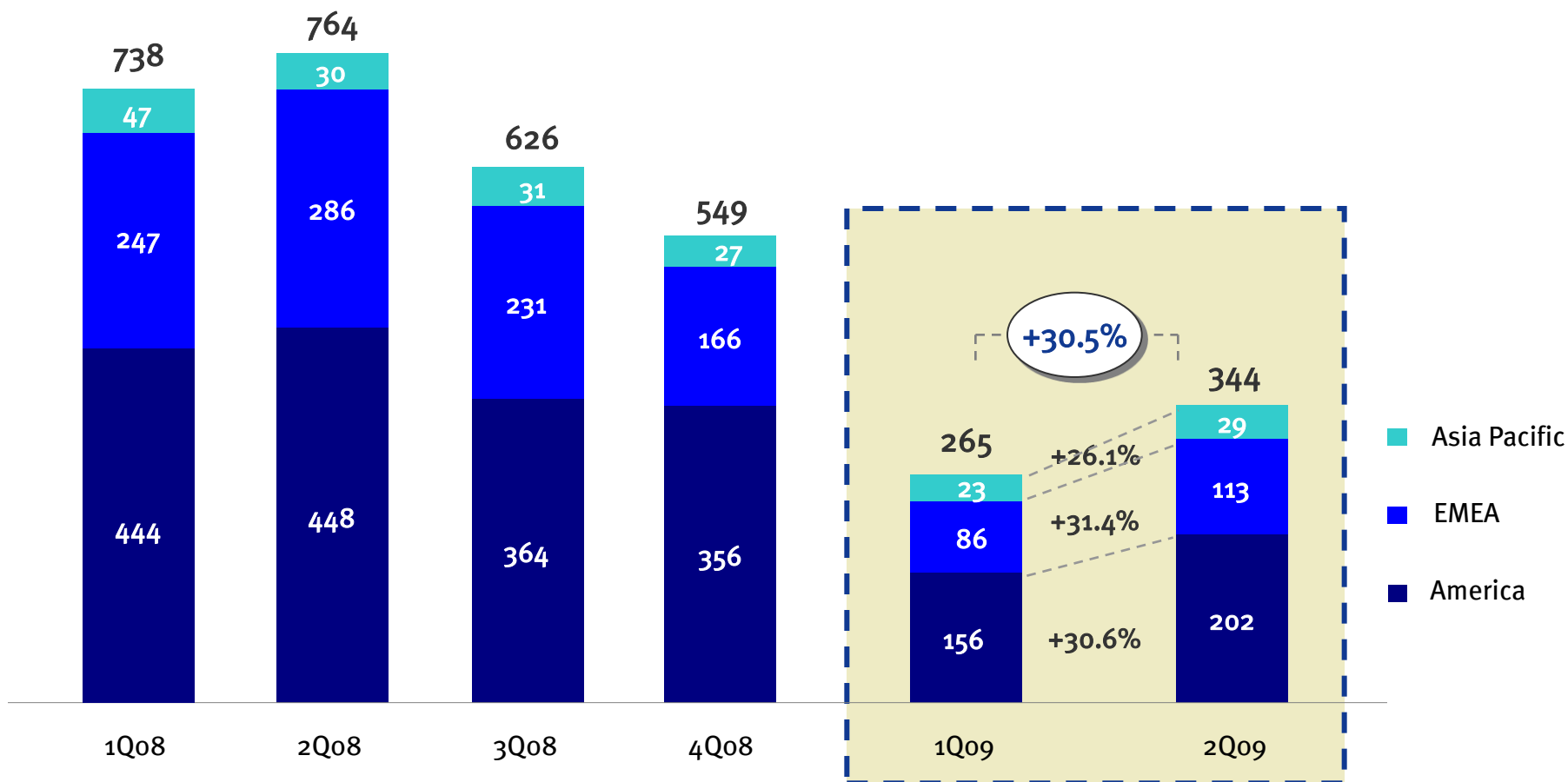
|                  | 2Q08  | 1Q09   | 2Q09   | QoQ   | YoY    |
|------------------|-------|--------|--------|-------|--------|
| Sales            | 764.7 | 265.6  | 346.5  | 30.5% | -54.7% |
| EBIT             | 57.4  | -111.3 | -108.1 | +3.2  | -165.5 |
| EBITDA           | 84.1  | -81.6  | -80.0  | +1.6  | -164.1 |
| - Financing Cost | 52.2  | 40.4   | 49.2   | +8.8  | -3.0   |
| Pretax Profit    | 24.7  | -163.4 | -128.5 | +34.9 | -125.9 |
| Net Profit       | 0.2   | -159.9 | -128.2 | +31.7 | -128.4 |



# 2009 2Q regional sales

Unit : US\$ million, %

- 31% QoQ improvement in sales as a result of market recovery and market share gains in North America and EMEA

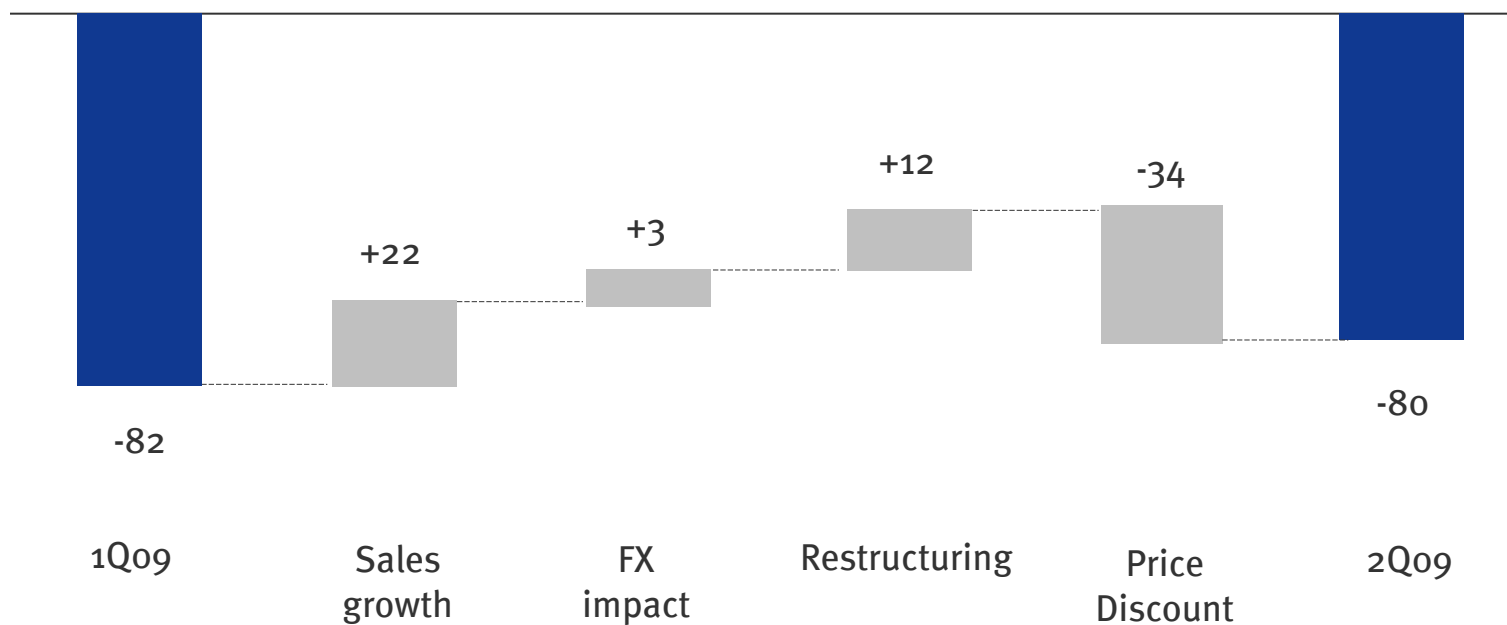


# 2009 2Q EBITDA analysis

Unit : US\$ million

- Marginal recovery in EBITDA as sales growth and restructuring efforts offset the impact of price discount

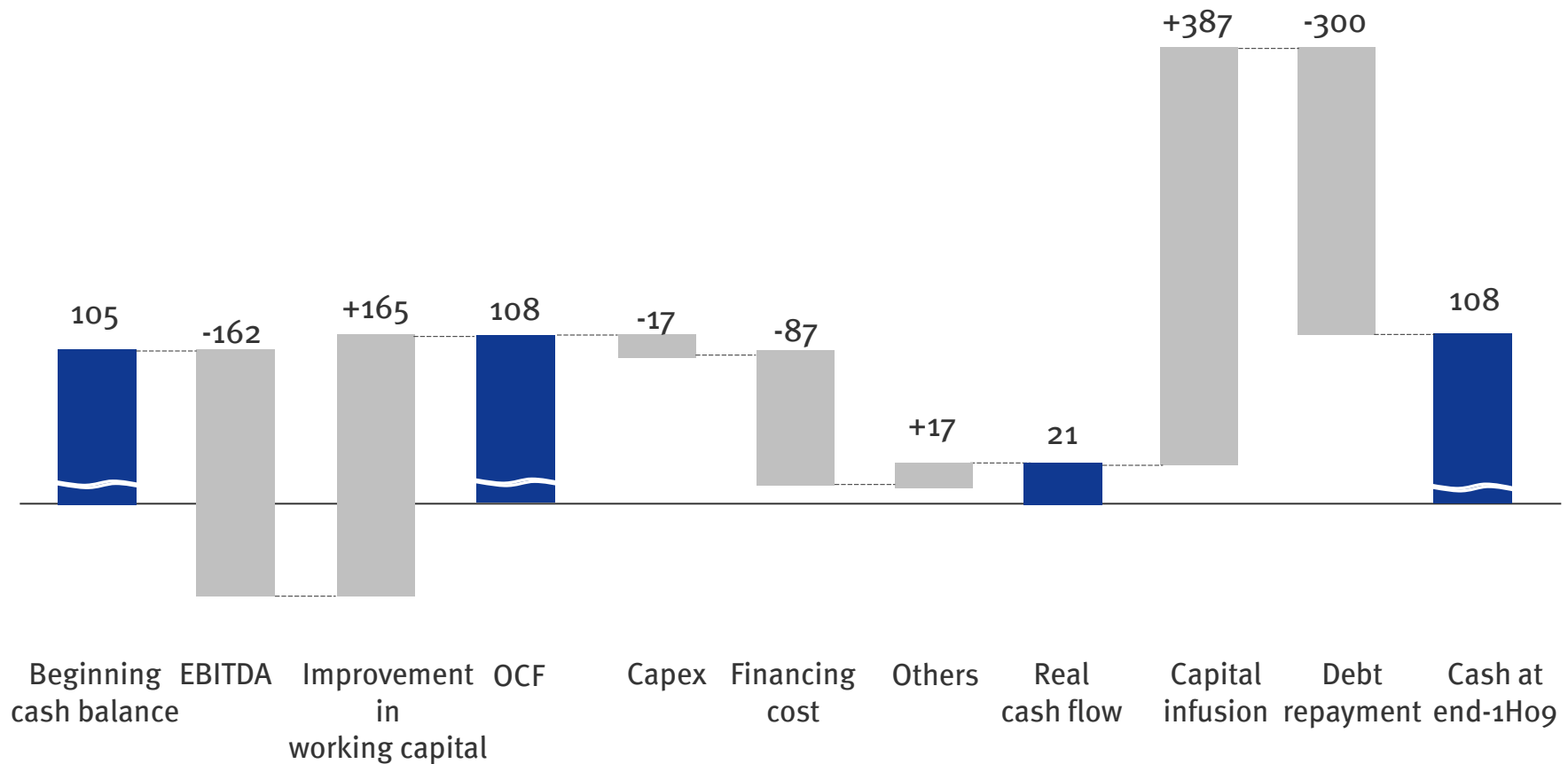
## QoQ comparison



# Cash flow remains positive

Unit : US\$ million

- Beginning cash balance and improvement in working capital offset the shortage in EBITDA and financing cost, while capital infusion was redirected towards early debt repayment



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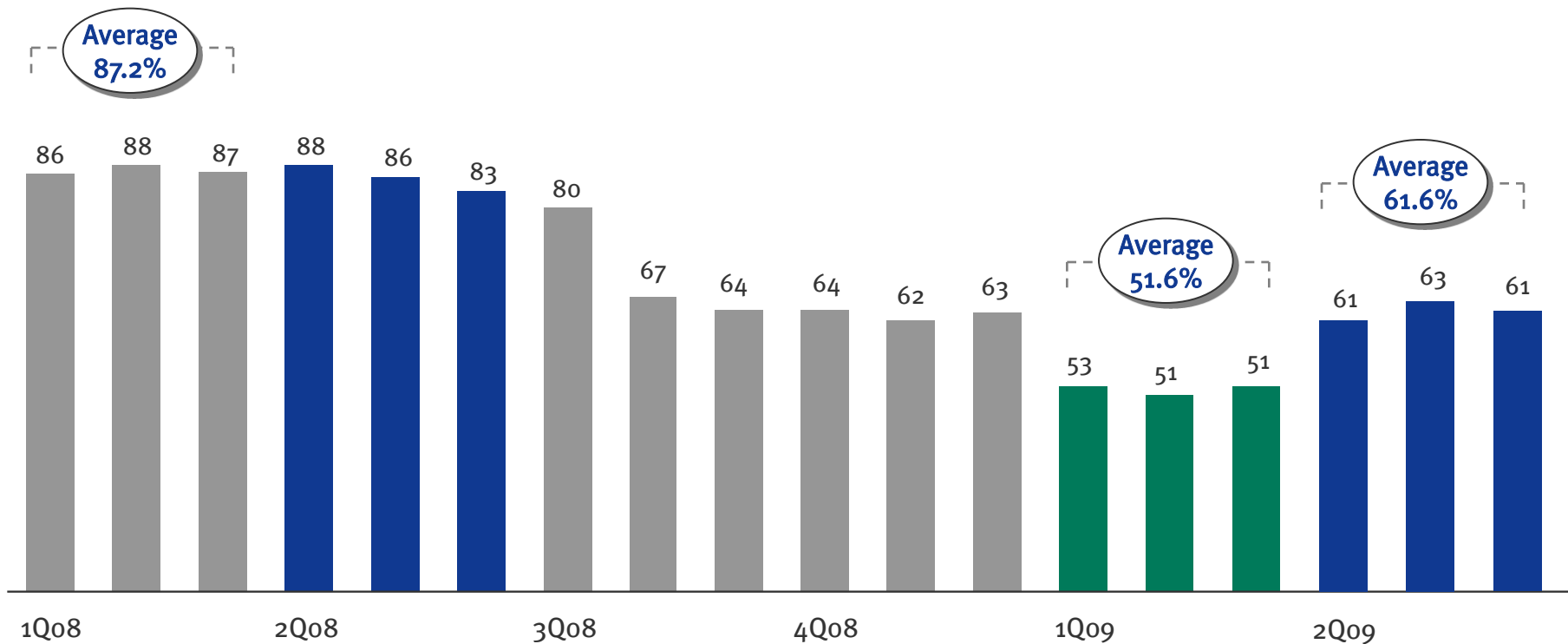
2

**DII 2Q09 Results & Highlights**  
**- Highlights**

# 1 Financial approval rates in US is recovery

Unit : %

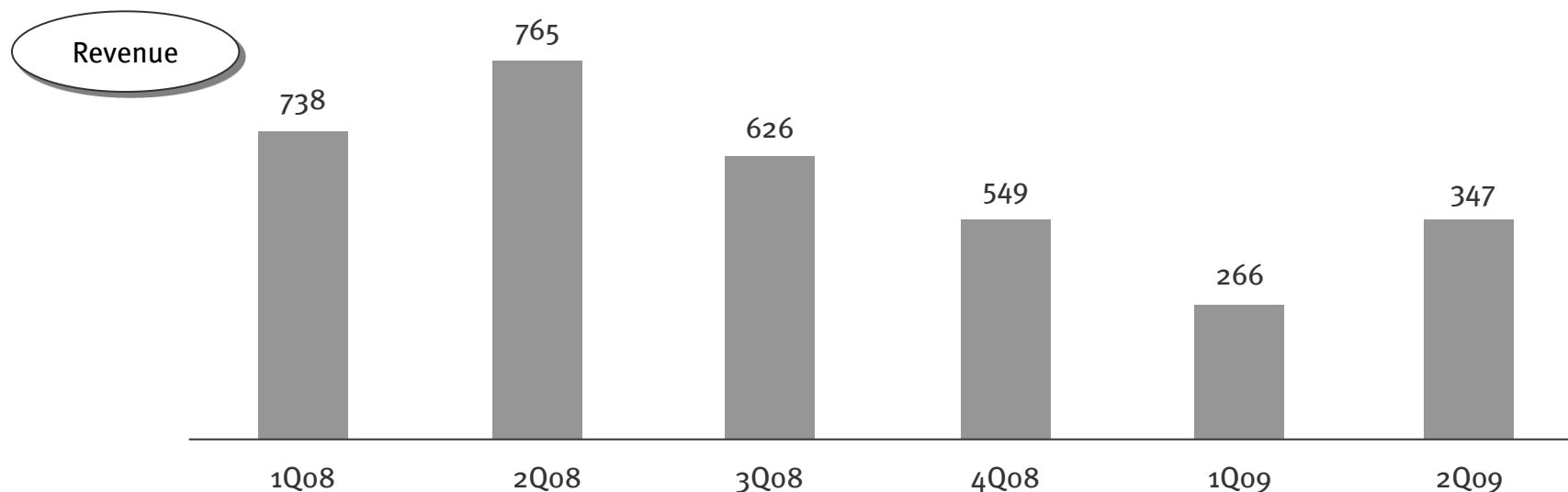
- Financial approval rates in the US, which plays a vital role in construction equipment purchase, is on a rebound after bottoming out in 1Q
- Such improvement is a clear and positive signal for future sales growth



## 2 Future growth potential via market share expansion

Unit : US\$ million, %

- Market share in 1Q declined due to dealer inventory management. However, DII started to show signs of market share recovery with the successful launch of new products, penetration into rental/key accounts and promotional activities.

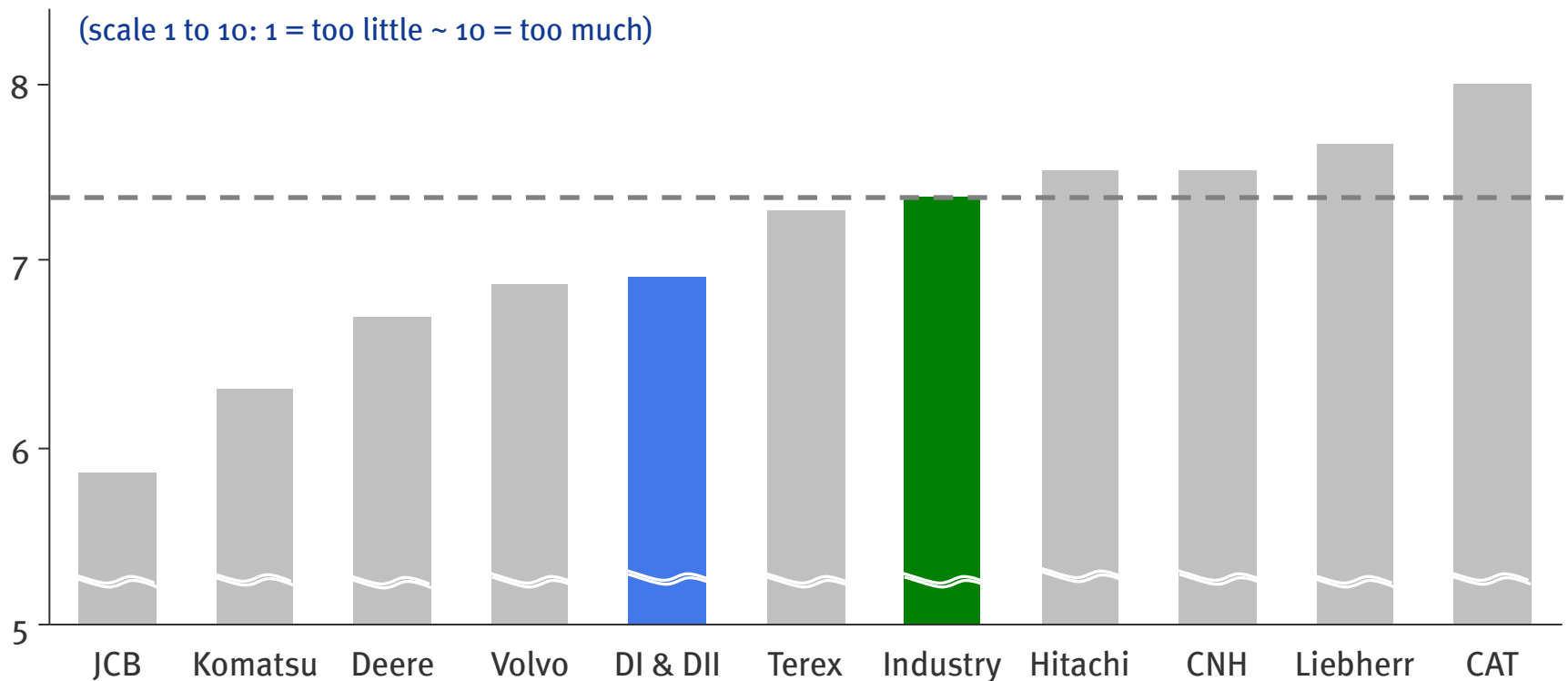


\* Market share based on North America and EMEA skid steer loader and mini excavator sales volume

# 3 Dealer inventory lower than the industry average

- Thanks to preemptive destocking, DII's inventory level remains below the industry average  
→ This will provide room for future sales growth

2Q basis



## 4 Better cost structure to weather a downturn

Unit : US\$ million

- Once impact from past restructuring efforts becomes fully visible in 2010, we anticipate annual earnings improvement of more than US\$100 million
- Going forward, DII will have an enhanced cost structure and lower break-even point that could withstand any market recession

### Impact from restructuring \*

|              | One-time Cost |            | Saving      |              | EBIT Impact  |              |
|--------------|---------------|------------|-------------|--------------|--------------|--------------|
|              | 09            | 10         | 09          | 10           | 09           | 10           |
| Bobcat       | 67.6          | 8.5        | 13.8        | 87.7         | -53.8        | 79.2         |
| DIPP         | 0.1           | -          | 3.4         | 14.5         | 3.3          | 14.5         |
| HQ           | -             | -          | 8.4         | 21.5         | 8.4          | 21.5         |
| <b>Total</b> | <b>67.7</b>   | <b>8.5</b> | <b>25.6</b> | <b>123.7</b> | <b>-42.1</b> | <b>115.8</b> |

\* Restructuring efforts : attachment business restructuring, disposal of company owned stores, efforts to lower transportation and other expensees

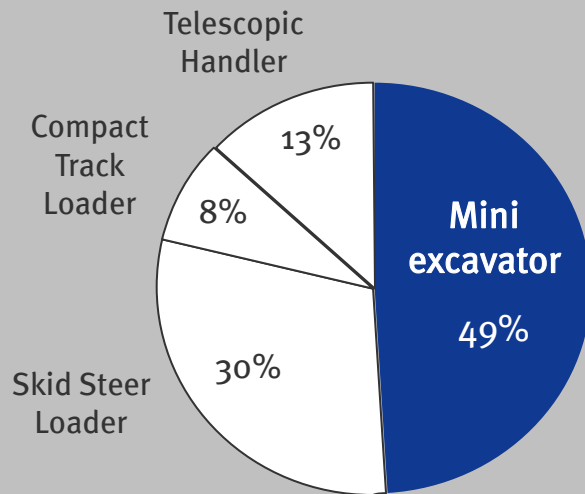


## 5 Successful launch of new mini excavators adds to growth

Unit : units, %

- Enhanced product line-up and cost competitiveness via introduction of mini excavator models, which account for 49% of the global compact market and have high growth potential
- Great customer feedbacks for excellent hydraulic performance and reduced noise for operator comfort

### Global Compact Market



### Sales trend for new mini excavators

| Product | Volume | EMEA | NA | China |
|---------|--------|------|----|-------|
| Dragon  | 161    |      |    | 0     |
| MX331   | 123    |      |    | 0     |
| Phoenix | 152    | 0    | 0  | 0     |
| E6oR    | 34     | 0    | 0  |       |
| E55W    | 16     | 0    |    |       |
| E8oR    | 9      | 0    | 0  |       |
| Total   | 495    | 0    | 0  | 0     |

# 6 Full-fledged synergy with DI

Unit : US\$ million

## Annual impact for DI+DII

| Synergy                             | Key results and description  | Sales | EBIT |
|-------------------------------------|--|-------|------|
| Brand/ Channel<br>(Cross-selling)   | <ul style="list-style-type: none"> <li>Consolidating dealers &amp; developing new dealers jointly</li> <li>Creating financial value of US\$21mn through cross-selling                             <ul style="list-style-type: none"> <li>NA: 7 Bobcat dealers starting to sell DI products</li> <li>EMEA: Shared distribution (19 dealers &amp; company owned stores)</li> </ul> </li> </ul> | 41    | 4    |
| Global sourcing                     | <ul style="list-style-type: none"> <li>Greatest synergy expected from the integrated global sourcing structure between DI and DII under the new Global CPO (Chief Purchasing Officer)</li> </ul>   | N/A   | 22   |
| Mini excavator<br>global leadership | <ul style="list-style-type: none"> <li>Large orders received for mini excavators</li> <li>Growing sales of the new 'Phoenix' and DI's E6oR/E8oR</li> <li>DICC's sales channel carrying Bobcat's mini excavators</li> </ul>   | 80    | 19   |
| New business<br>growth              | <ul style="list-style-type: none"> <li>Install Bobcat's attachment on Doosan excavators</li> <li>Montabert's advance into China breaker business</li> </ul>  | 11    | 1    |

**Thank You**