



Doosan Infracore

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# 2011 4Q Investor Meeting

February 2012



# Disclaimer

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

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# 2011 results \*

2011

- Sales grew 13% YoY due to demand recovery in developed markets for the construction equipment division and continued order growth in the machine tools division.
- EBIT rose 5% YoY thanks to improved profitability of the machine tools division and greater profit contribution from DII.

4Q11

- Net profit surged 97% YoY due to gains from sale of the industrial vehicle division.
- EBIT fell 45% YoY in 4Q due to sluggish sales in China and increase in labor cost, while net profit turned negative due to one-time cost of KRW32 billion related to DII's refinancing.

## Results

(Unit : KRW billion)

	4Q10	4Q11	YoY	2010	2011	YoY
Sales	1,974.4	2,040.5	+3.3%	7,481.9	8,463.1	+13.1%
EBIT	170.5	93.9	-44.9%	676.5	708.5	+4.7%
EBIT margin (%)	8.6%	4.6%	-4.0%P	9.0%	8.4%	-0.7%P
(Net Financial Cost)	74.9	87.5	+16.8%	312.6	320.1	+2.4%
(F/X gains/losses)	6.5	-12.0	-	1.6	-13.8	-
Net Profit	57.6	-13.8	TB	157.7	310.8 **	+97.1%

\* Figures are based on consolidated K-IFRS

\*\* Reflective of KRW103.9billion in profit from discontinued operations

# 2011 divisional sales & EBIT \*

- Construction equipment sales increased 9% YoY thanks to the turnaround in developed markets.
- Machine tools achieved sales growth of 38% YoY and EBIT growth of 180% YoY on the back of enhanced competitiveness in developed markets.

## Sales

(Unit : KRW billion)

		% of sales	YoY
Construction Equipment	6,488.6	76.7%	+9.2%
Machine Tools	1,425.3	16.8%	+37.5%
Engines	549.2	6.5%	+9.0%
Total	8,463.1	100%	+13.1%

## EBIT & Margin

(Unit : KRW billion)

		EBIT margin	YoY
Construction Equipment	485.2	7.5%	-15.4%
Machine Tools	177.2	12.4%	+180.1%
Engines	46.1	8.4%	+15.4%
Total	708.5	8.4%	+4.7%

\* Figures are based on consolidated K-IFRS

# 4Q11 divisional sales & EBIT \*

- Despite the strong performance of DII, EBIT from the construction equipment division fell 73% YoY as a result of tightening in China.
- Machine tools division recorded more than 30% sales and EBIT growth thanks to demand recover in the more profitable developed markets.

## Sales

(Unit : KRW billion)

		% of sales	YoY
Construction Equipment	1,454.0	71.3%	-2.6%
Machine Tools	427.4	20.9%	+32.9%
Engines	159.1	7.8%	-0.4%
Total	2,040.5	100%	+3.3%

## EBIT & Margin

(Unit : KRW billion)

		EBIT margin	YoY
Construction Equipment	29.4	2.0%	-73.4%
Machine Tools	55.8	13.1%	+31.0%
Engines	8.7	5.5%	-49.9%
Total	93.9	4.6%	-44.9%

\* Figures are based on consolidated K-IFRS

# Regional sales breakdown \* (Construction equipment BG)

2011

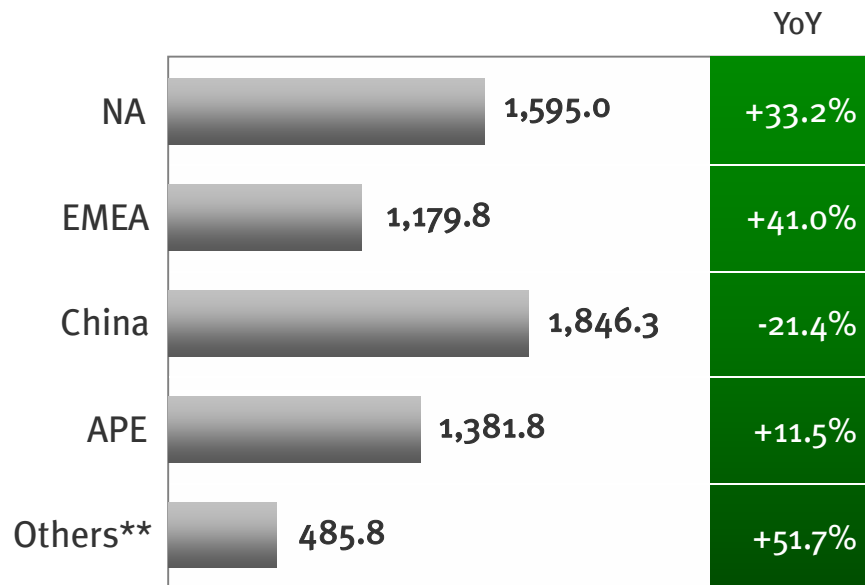
- Sales in North America and EMEA surged by more than 30% YoY due to recovery in demand from developed markets and large rental companies, which offset the weakness in China.

4Q11

- Sales in China dropped 45% YoY, while sales in North America and EMEA rose 28% YoY and 42% YoY, respectively. Order backlog in North America and EMEA remained solid during the quarter.

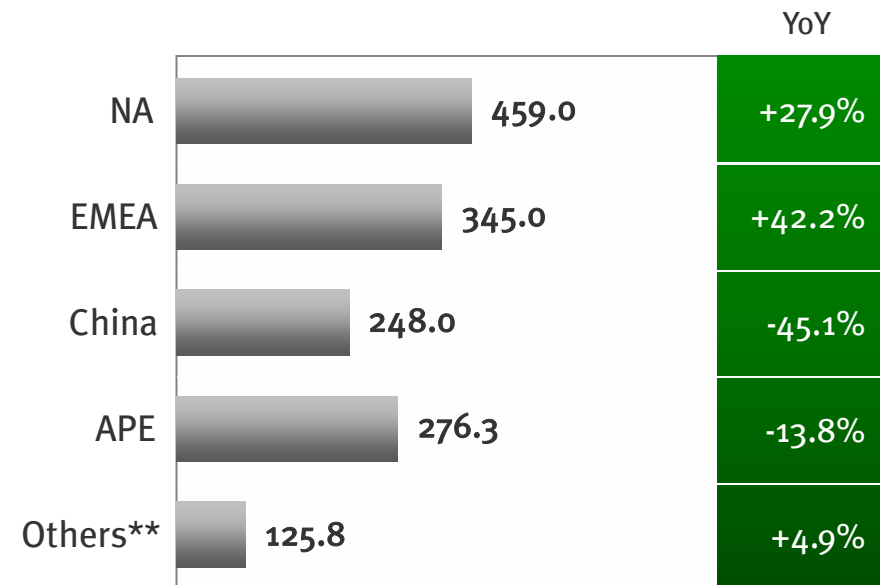
2011 sales

(Unit : KRW billion)



4Q11 sales

(Unit : KRW billion)



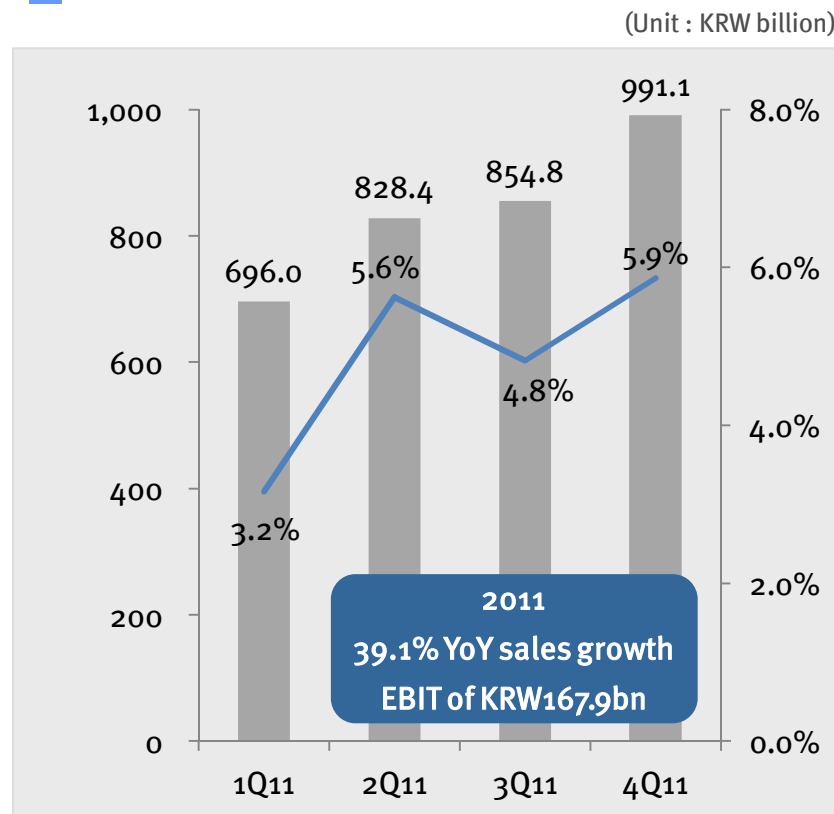
\* Figures are based on consolidated K-IFRS

\*\* Others include sales from DIPP, ADT and Headquarter

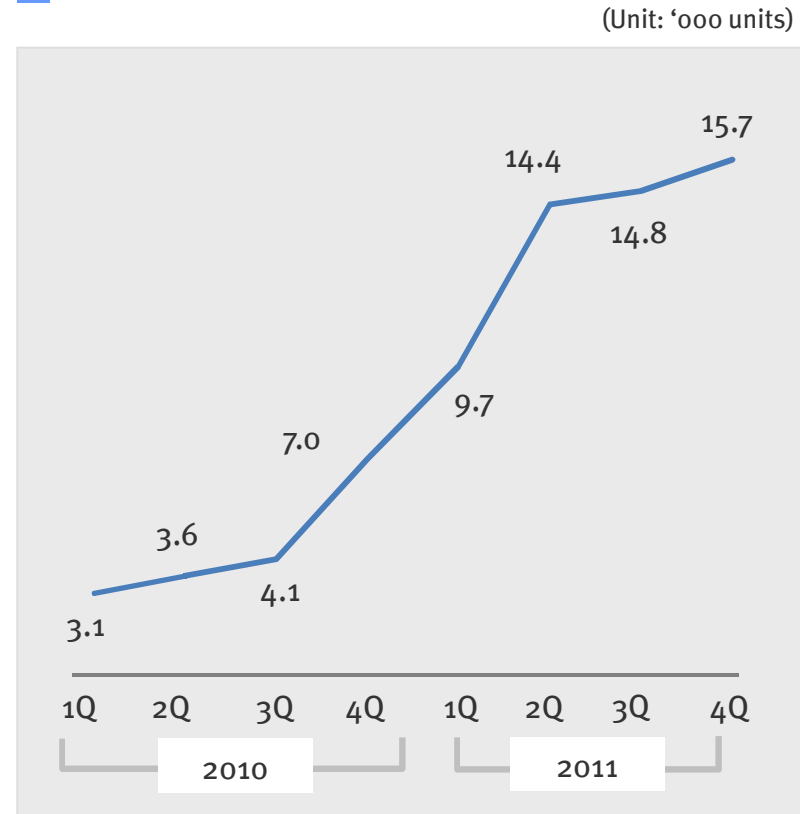
## 2011 DII results \*

- Sales at DII improved every quarter and as a result, revenue during 2011 grew remarkably by 39% YoY.
- EBIT and net profit also turned positive in 2011.
- Order backlog continued to rise to 15,700 units, improving significantly from a year ago.

### Sales & EBIT margin at DII



### Order backlog at North America





# Financial structure \*

- Total shareholders' equity increased by KRW527.7bn at end-2011 thanks to remarkable growth in net profit, while total liabilities rose by KRW164.4bn due to the weak Korean Won.
- The financial structure stabilized after refinancing, which resulted in a superior debt maturity profile.

## Financials

(Unit : KRW billion)

	2009	2010	2011	YoY
Current Assets	3,717.0	3,855.7	4,232.5	+376.8
Fixed Assets	7,323.4	7,155.9	7,471.2	+315.3
Total Assets	11,040.4	11,011.6	11,703.7	+692.1
Total Liabilities	9,379.7	9,254.1	9,418.5	+164.4
- Net Debt	5,905.8	5,548.5	5,344.4	-204.1
Total Shareholders' Equity	1,660.7	1,757.5	2,285.2	+527.7
Liabilities/Equity Ratio	564.8%	526.5%	412.2%	-114.3%P

\* Figures are based on consolidated K-IFRS

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# Market environment and divisional outlook for 2012

## Outlook on market environment

### Construction Equipment Division

- **China:** Expectation of monetary easing and investment recovery in the second year of 12<sup>th</sup> 5-year development plan
- **Developed markets :** Improvement in US construction related indices, continued replacement demand for construction equipments, and sustained low interest environment
- **Emerging markets :** Demand from infrastructure investment and natural resource development expected to trigger growth

### Machine Tools Division

- Market demand to be led by automobile industry in China and emerging markets
- Developed market demand to recover thanks to favorable trends in aerospace/energy industries

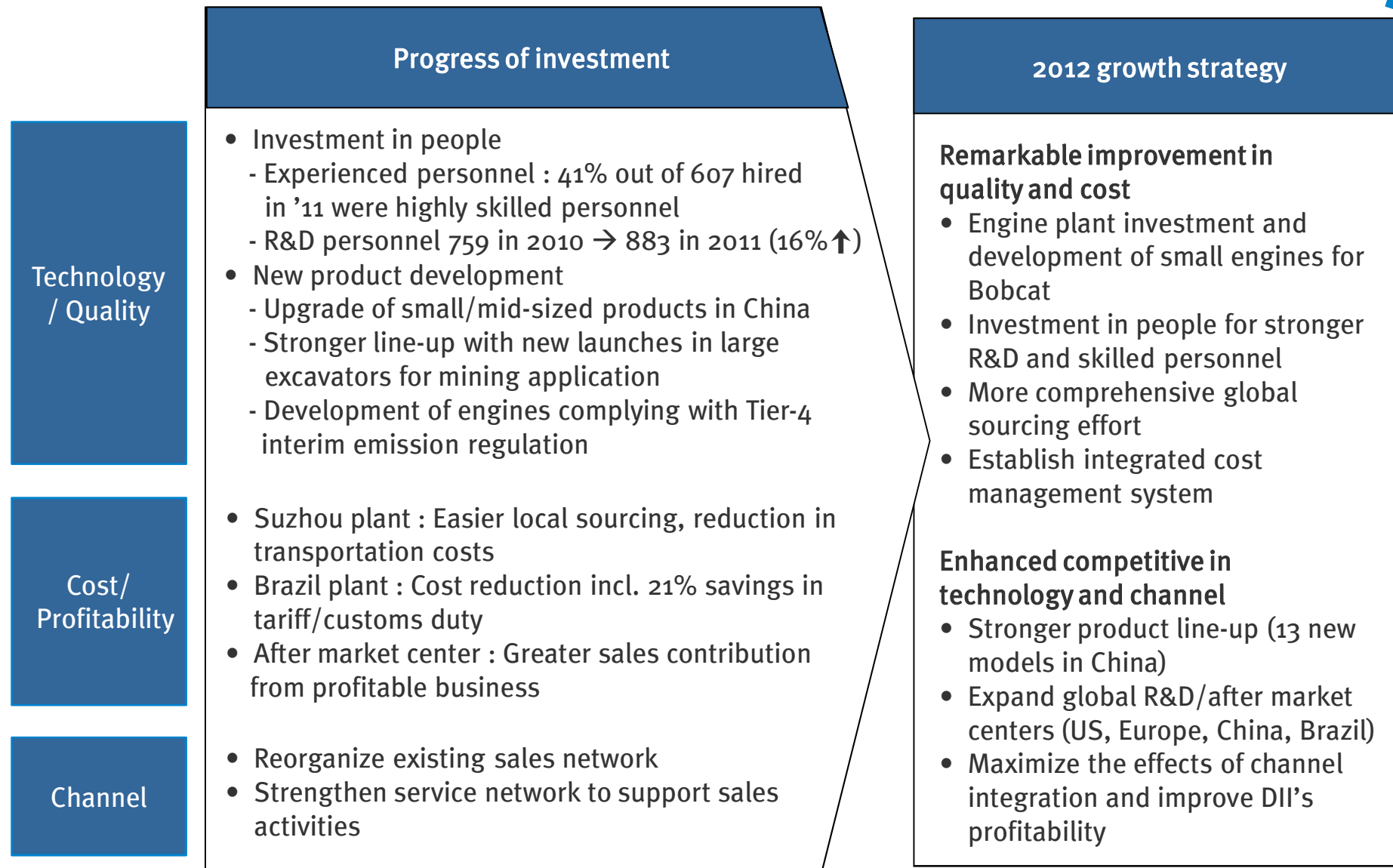
### Engine Division

- Increasingly tighter environmental regulations
- Co-growth with construction equipment division

### Growth outlook by division

- Construction equipment : 20% growth in line with market turnaround
- Machine tools : Stable growth to continue
- Engines : R&D investment for future growth

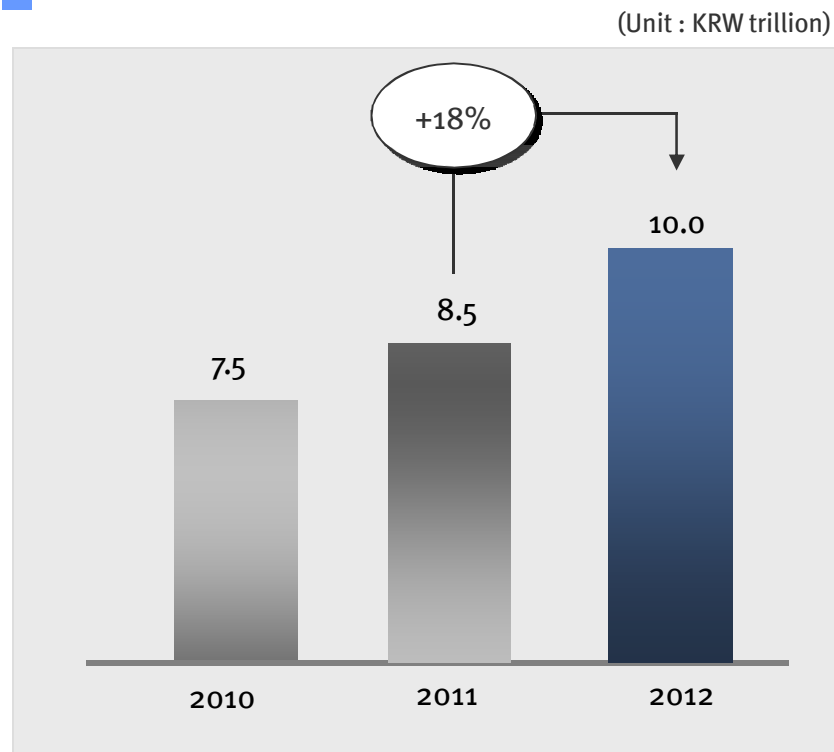
# Progress of investment and 2012 growth strategy



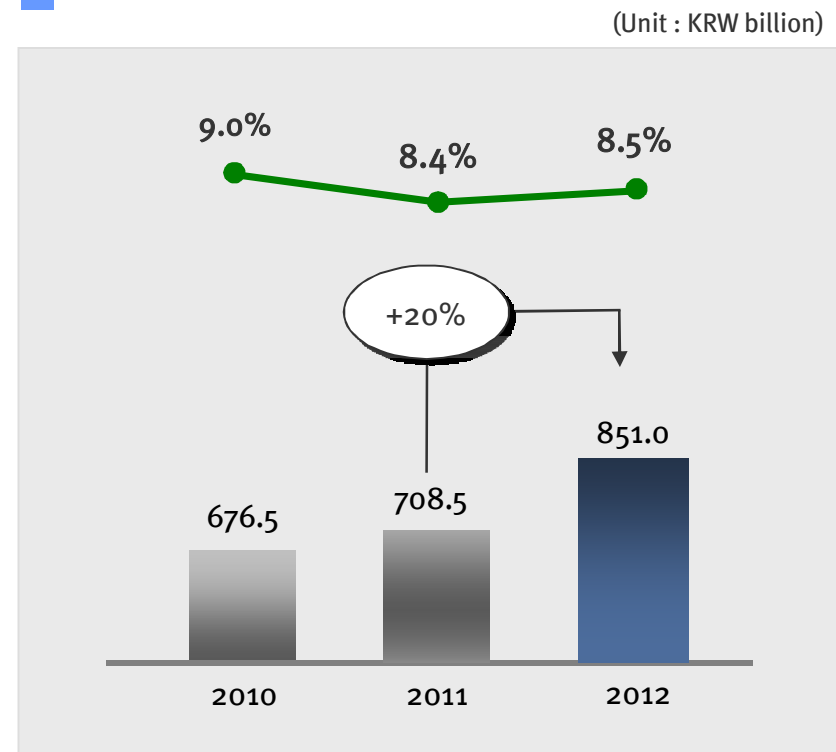
## 2012 outlook \*

- Sales to increase 18% YoY to KRW10 trillion thanks to growth of key markets, market share gains and new product launches.
- EBIT to grow 20% YoY to KRW851 billion due to increased profitability in DII/emerging markets and internal cost reduction efforts.

### Sales



### EBIT & Margin



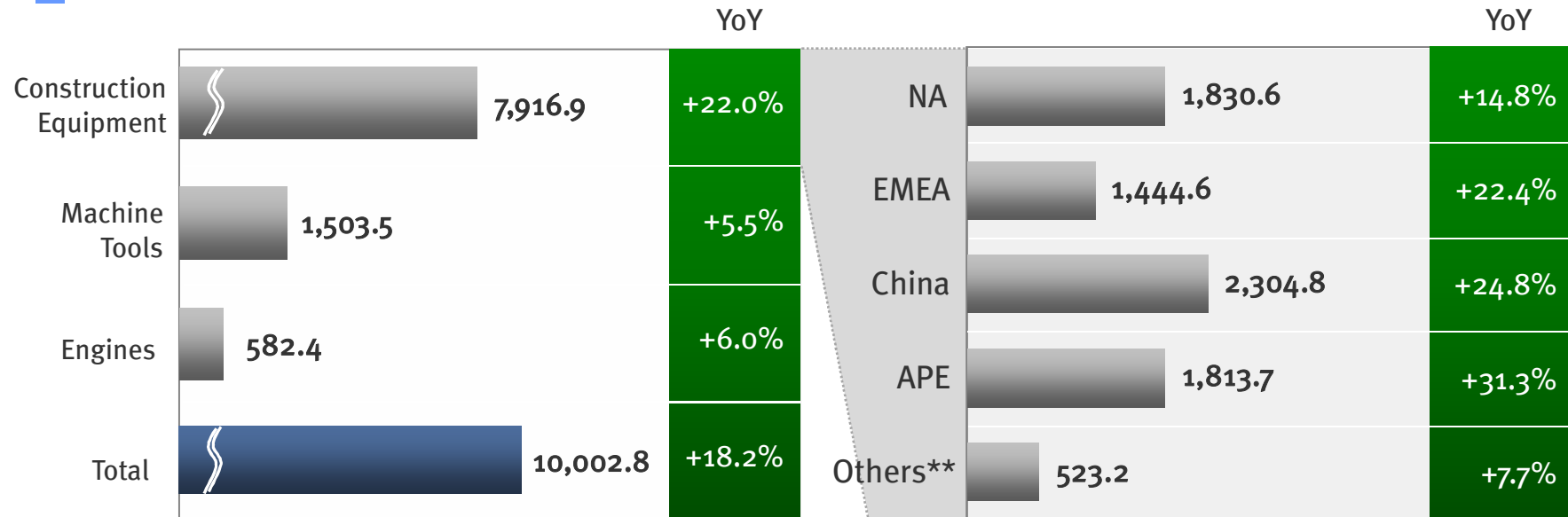
\* Figures are based on consolidated K-IFRS

## 2012 outlook by division \*

- We anticipate the construction equipment division to be the growth driver in 2012 in light of high growth in Asia/emerging markets and steady growth in China/developed markets.
  - In particular, we expect strong performance in EMEA due to stronger sales channel, resultant market share gains and expansion of after market business.
- Machine tools division will focus on China and emerging markets, which are expected to outperform the global market trend.

### Sales outlook

(Unit : KRW billion)



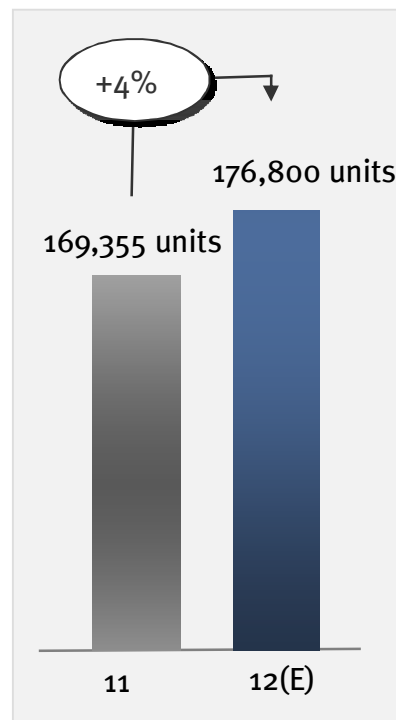
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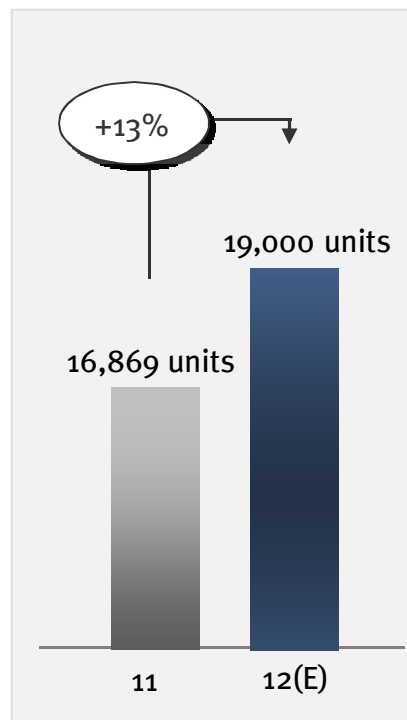
# Recapturing the excavator market in China

- With 1) better product offering with the launch of 13 new models over next 2 years and 2) stronger channel with the reorganization of sales network, we plan to recapture the excavator market in China.
- We also expect greater after market revenue by improving the after service network to support sales activities.
- In light of full-fledged operation of the Suzhou plant, we project 1) stronger market penetration in the fast-growing small-sized excavator market and 2) enhanced cost competitiveness.

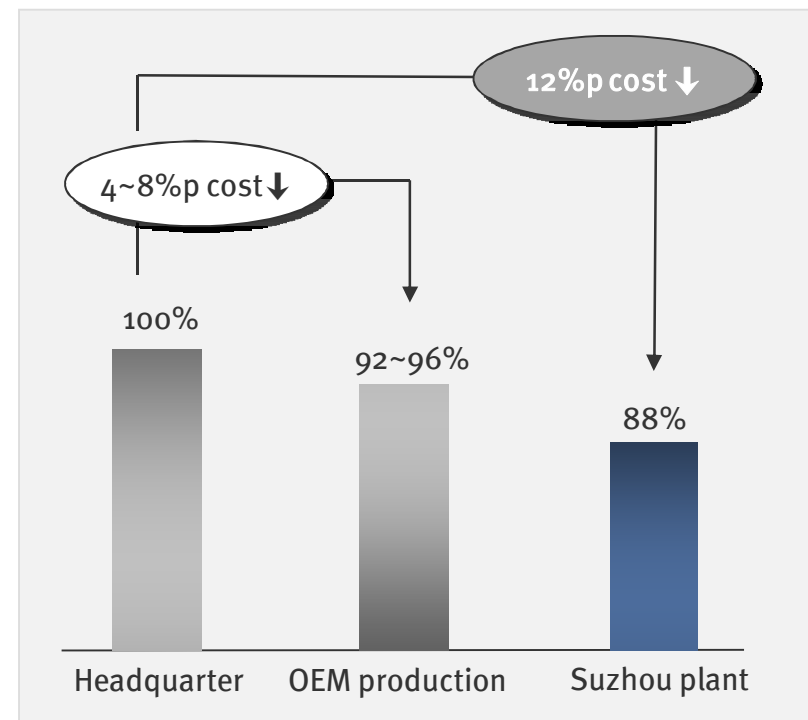
Market size



DI's target



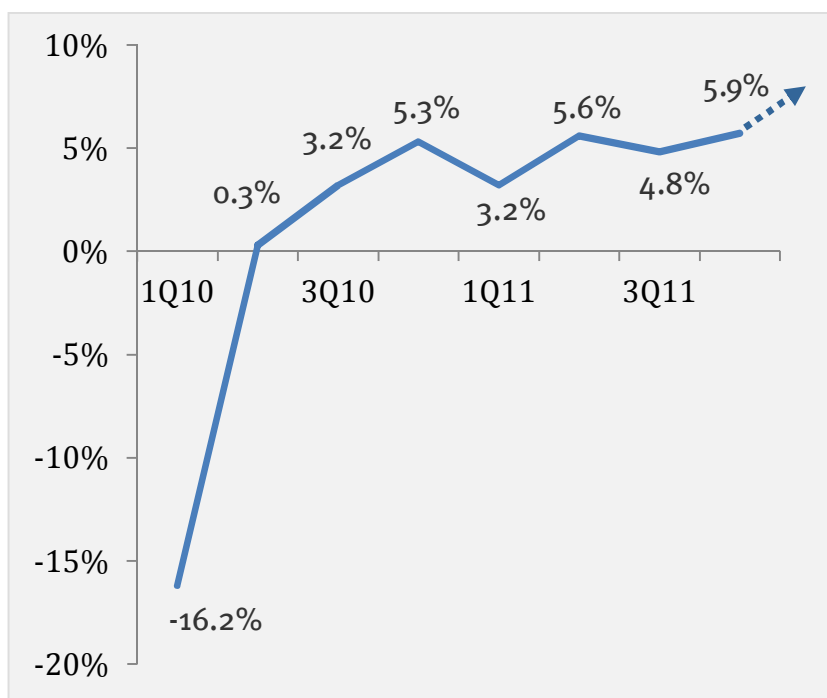
Cost competitiveness via Suzhou plant



# DII to be the future cash cow with stronger profitability

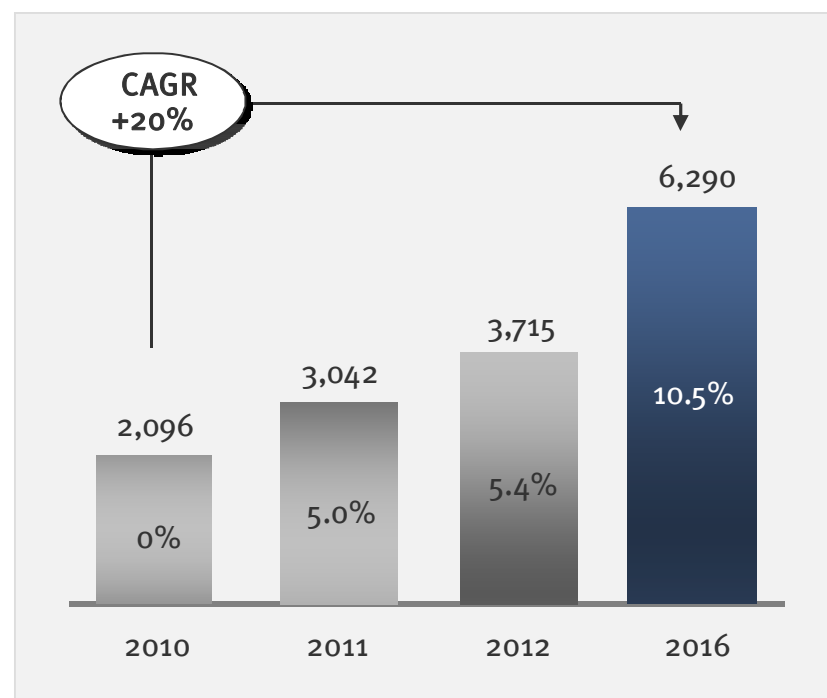
- EBIT margin continued to improve on the back of market recovery and price realization. We anticipate continued margin enhancement due to global sourcing efforts and expansion of after market business.
- We expect steady growth in 2012 due to capacity expansion for compact equipments and greater sales contribution from mid/large equipments via DII's sales channel.
- Reopening of Bismarck plant will increase DII's production capacity.

## Quarterly EBIT trend



## Sales & EBIT outlook

(Unit : USD million)

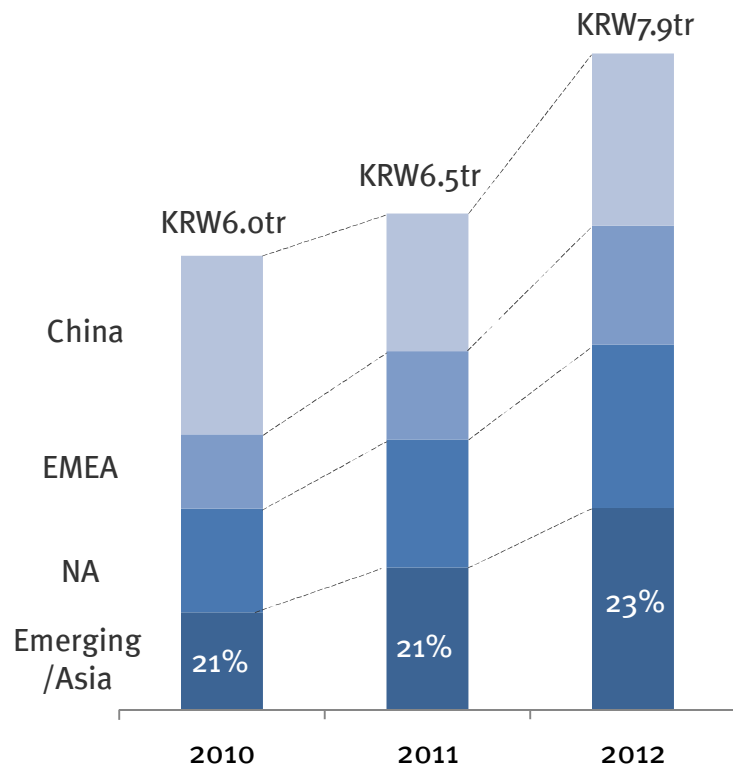




# Growth potential from emerging markets

- We expect accelerated growth and sales contribution from emerging markets in line with stronger penetration into markets such as Brazil, CIS and Indonesia.
- Capacity expansion of the Gunsan plant should cater to the emerging markets' needs for larger equipments.

## Outlook for regional sales contribution



## Key strategies

### Product

- Development and launch of new equipments more suitable for emerging markets
- Sales of DII products in emerging markets based on the strong brand awareness of Bobcat

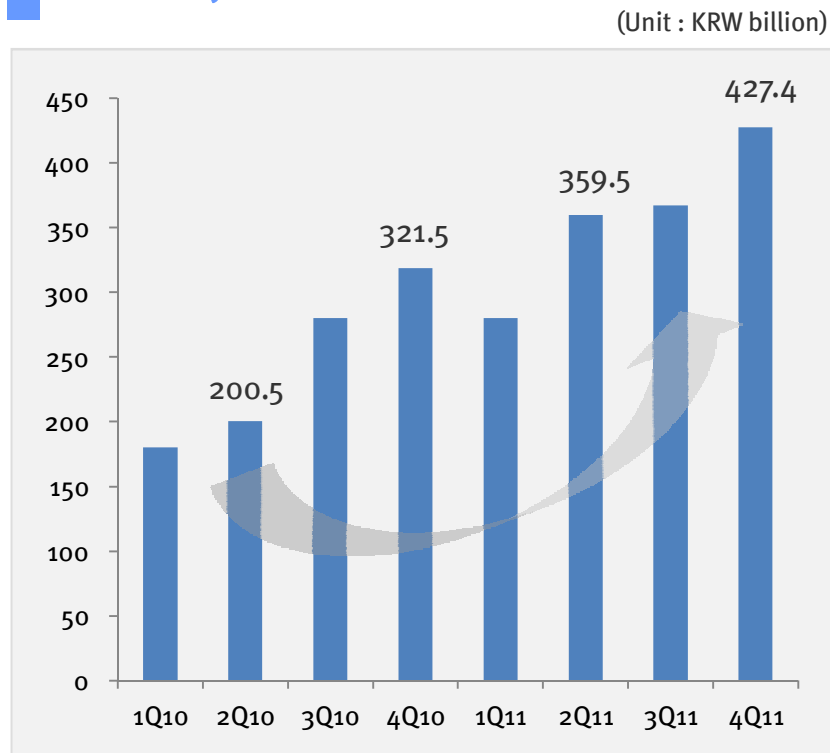
### Market

- Full-fledged penetration in Brazil with the new production facility and component center (market share target : present 11% → 20% in 2016)
- Market share gain in Russia with the expansion of dealer coverage and stronger product support
- Better dealer coverage in Indonesia to attain 10% market share in the largest segment of 20-ton excavator market

# Continued growth of the machine tools division

- High profitability to be maintained due to steady sales and growing order backlog in US and Europe.
- We plan to expand our presence in all markets excluding Korea to remain on the growth path during 2012.
  - In particular, we expect additional growth momentum from China, which has achieved historic high results last year despite difficult market conditions.

## Quarterly sales trend



## Breakdown of order backlog by region

