



Doosan Infracore

DOOSAN INFRACORE

# 2010 4Q Investor Meeting

January 2011



# Disclaimer

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# 4Q10 results

- Sales surged by 60% YoY thanks to strong demand for the key business units – the construction equipment and machine tools divisions.
- Although EBIT declined marginally on a QoQ comparison due to one-off items such as incentive bonuses, it grew substantially by 64% YoY in light of sales contribution from profitable business units.

## Results

(Unit : KRW billion)

	4Q09	1Q10	2Q10	3Q10	4Q10	QoQ	YoY
Sales	731.9	933.4	1,120.2	1,095.5	<b>1,168.5</b>	+6.7%	<b>+59.7%</b>
EBIT	80.4	105.2	139.0	166.3	<b>132.2</b>	-20.5%	<b>+64.4%</b>
EBIT margin (%)	11.0%	11.3%	12.4%	15.2%	<b>11.3%</b>	-3.9%p	<b>+0.3%p</b>
EBITDA	98.4	127.4	161.1	182.5	<b>153.3</b>	-16.0%	<b>+55.8%</b>
(Financial Cost)	39.4	39.1	37.9	35.7	<b>31.2</b>	-12.6%	<b>-20.8%</b>
(Equity method)	-78.7	-42.2	-13.2	-32.5	<b>-129.6</b>	-	-
Net Profit	-88.3	-6.0	18.3	12.7	<b>13.3</b>	+4.7%	<b>TB</b>

# 4Q10 divisional sales & EBIT

- The construction equipment division reported remarkable sales growth thanks to greater sales contribution from profitable markets such as China and emerging markets.
- EBIT of the machine tools division further increased to reflect the favorable sales trends in Korea and China.

## Sales

(Unit : KRW billion)

		QoQ	YoY
Construction Equipment	608.0	+10.1%	+56.6%
Machine Tools	276.6	+21.6%	+153.4%
Engines	113.8	-26.2%	+0.7%
Others	170.1	+5.2%	+40.1%
<b>Total</b>	<b>1,168.5</b>	<b>+6.7%</b>	<b>+59.7%</b>

## EBIT

(Unit : KRW billion)

		QoQ	YoY
Construction Equipment	102.7 (16.9%)	-17.2%	+17.1%
Machine Tools	164 (5.9%)	+28.3%	TB
Engines	138 (12.2%)	-15.3%	-4.8%
Others	-7 (-0.4%)	-	-
<b>Total</b>	<b>132.2 (11.3%)</b>	<b>-20.5%</b>	<b>+64.4%</b>

# 4Q10 financials

- Financial structure continued to improve significantly as a result of sizable debt repayment.

## Financials

(Unit : KRW billion)

	2008	2009	1Q10	2Q10	3Q10	4Q10	QoQ	YoY
Current Assets	1,995.8	1,528.7	1,671.9	1,725.2	1,646.8	<b>1,580.2</b>	-66.6	+51.5
Fixed Assets	2,929.8	3,249.9	3,093.0	3,081.4	2,997.8	<b>2,863.0</b>	-134.8	-386.9
Total Assets	4,925.6	4,778.6	4,764.9	4,806.6	4,644.6	<b>4,443.2</b>	-201.4	-335.4
Total Liabilities	3,379.9	3,497.7	3,522.3	3,550.1	3,349.3	<b>3,129.9</b>	-219.4	-367.8
- Net Debts	1,506.4	2,502.7	2,356.1	2,318.6	2,206.9	<b>1,926.9</b>	-280.0	-575.8
Total Shareholders' Equity	1,545.7	1,280.9	1,242.6	1,256.4	1,295.3	<b>1,313.3</b>	+18.0	+32.4

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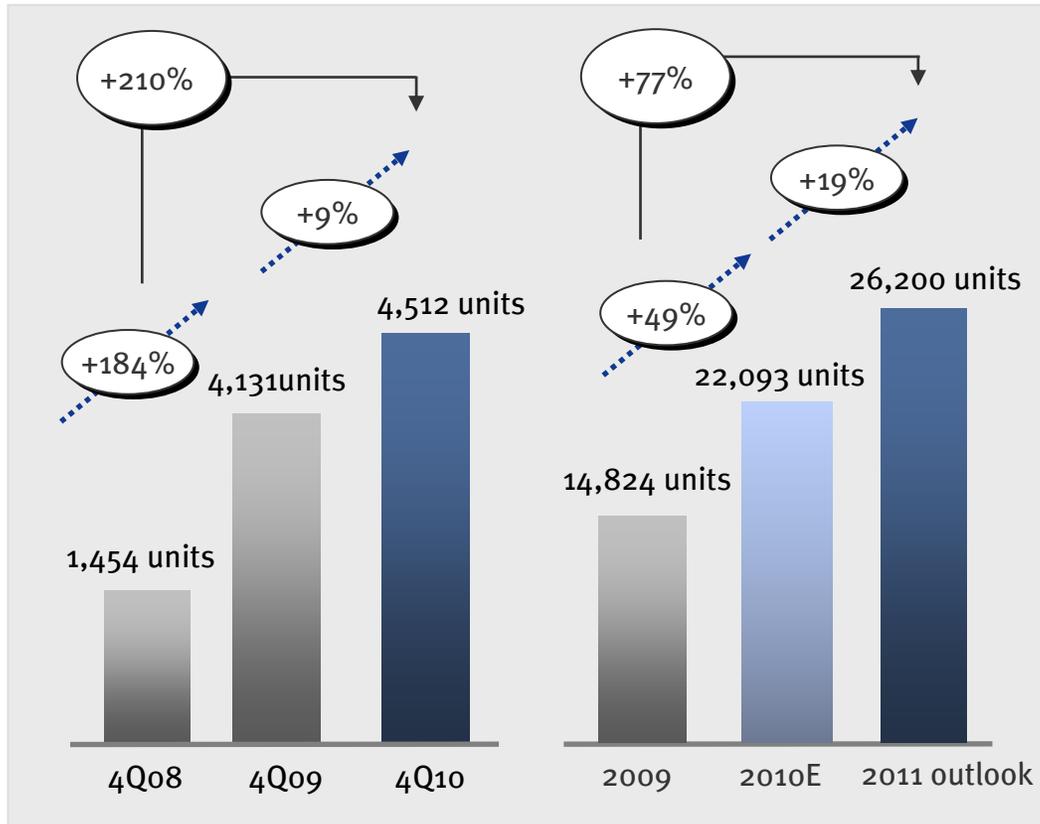
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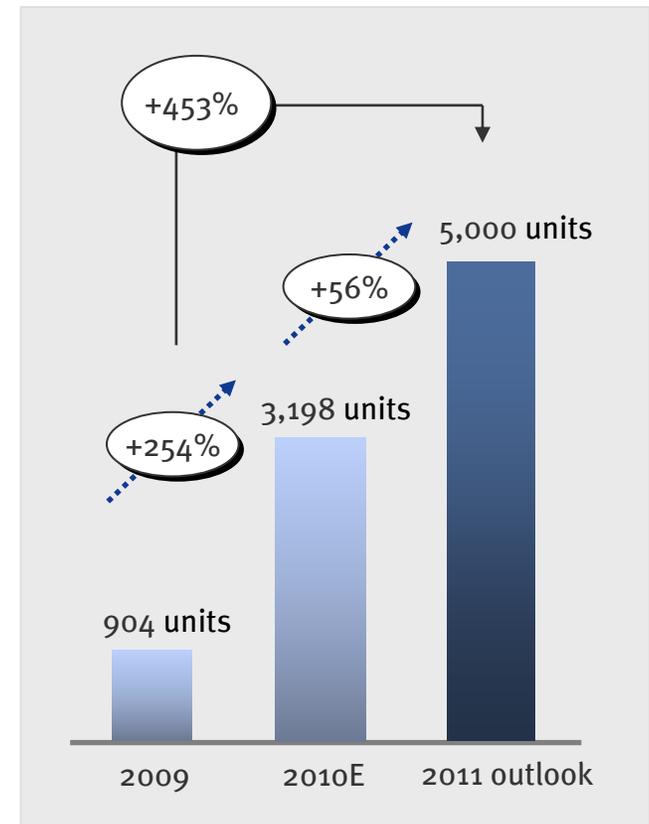
# 1-1 Construction equipment: China momentum

- Excavator sales in China remained solid and grew 9% YoY in 4Q10 and 49% YoY to 22,093 units in 2010.
- With enhanced product recognition, wheel loader sales in China surged 254% YoY to 3,198 units and we expect to grow 56% YoY to 5,000 units during 2011.

## China excavator results and outlook



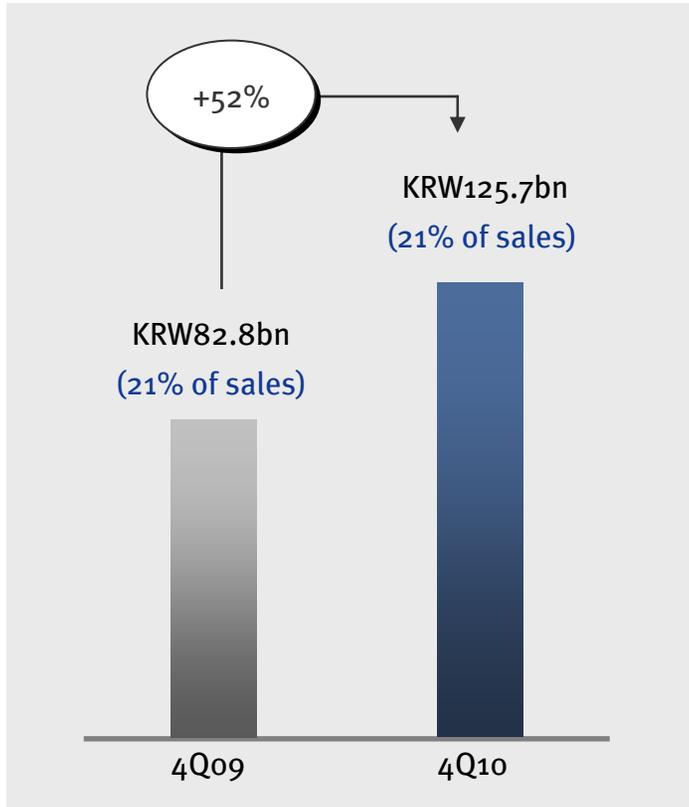
## China wheel loader results and outlook



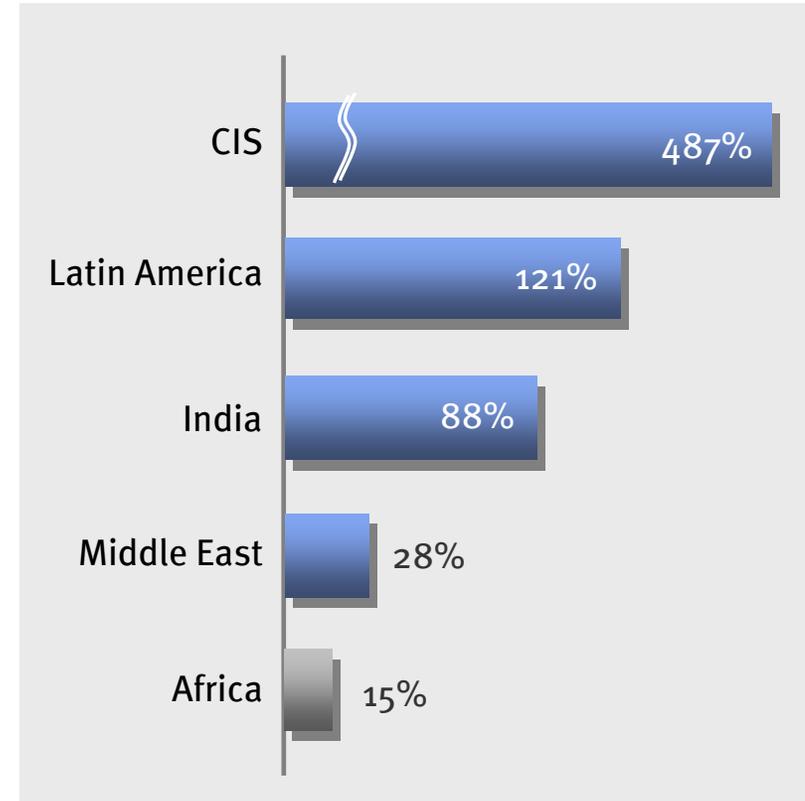
# Construction equipment: Emerging markets in full swing

- Sales from emerging markets grew 52% YoY in line with remarkable growths from CIS, Latin America and India.
- Given sales contribution of more than 20%, emerging markets have truly emerged as the growth engine for the construction equipment division.

## Sales from emerging markets

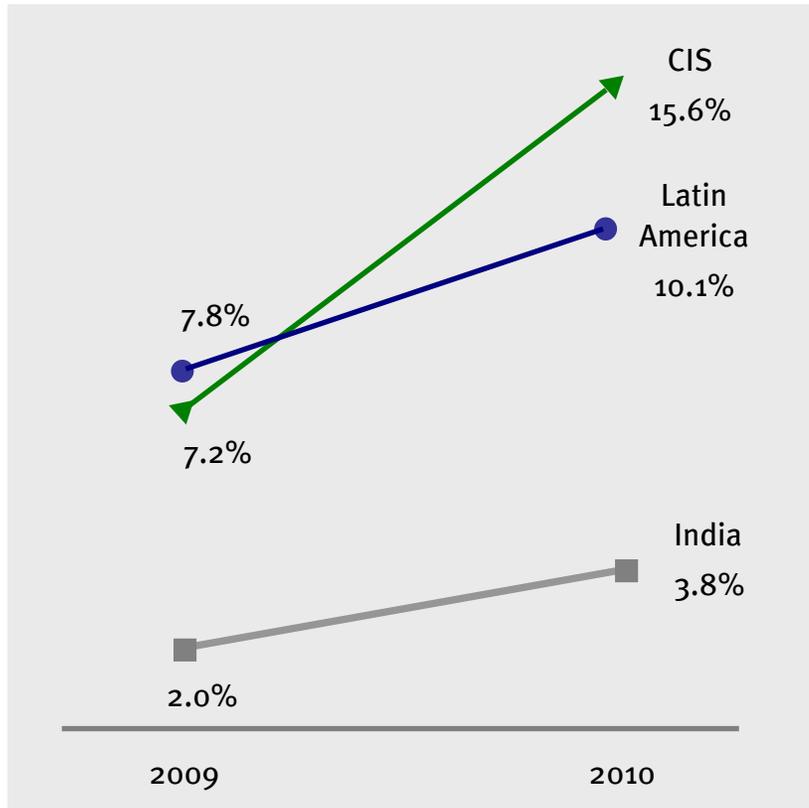


## Sales growth by region (YoY comparison)

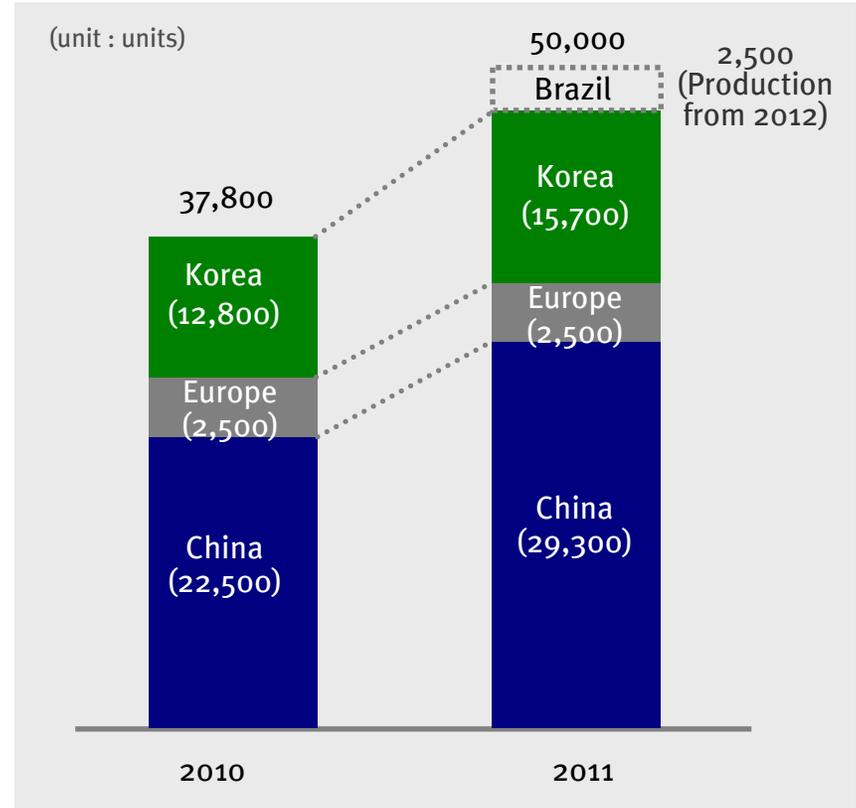


- Visible market share growths in key emerging markets such as CIS, Latin America and India.
- In line with the emerging market growth, we plan to expand our production capacity from 37,800 units to 50,000 units by ① full-fledged operation of Gunsan plant and ② capacity expansions in Incheon and China.

## Market shares of excavators in emerging markets



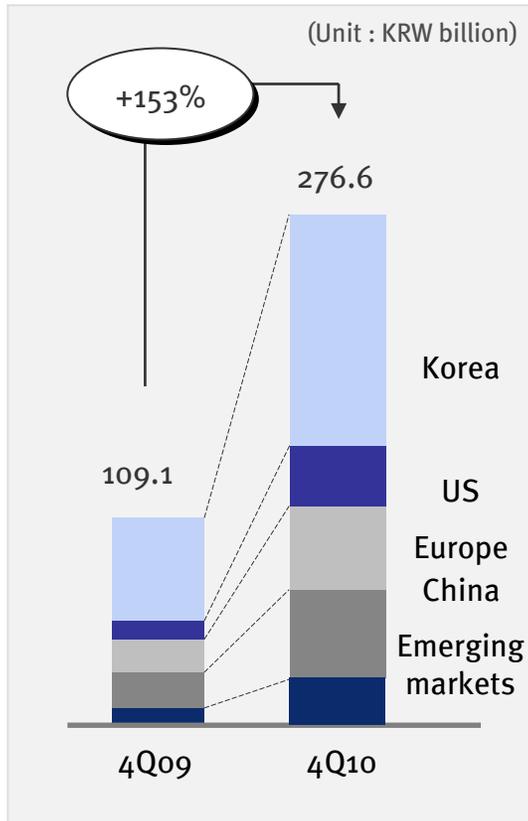
## Expansion of excavator capacity



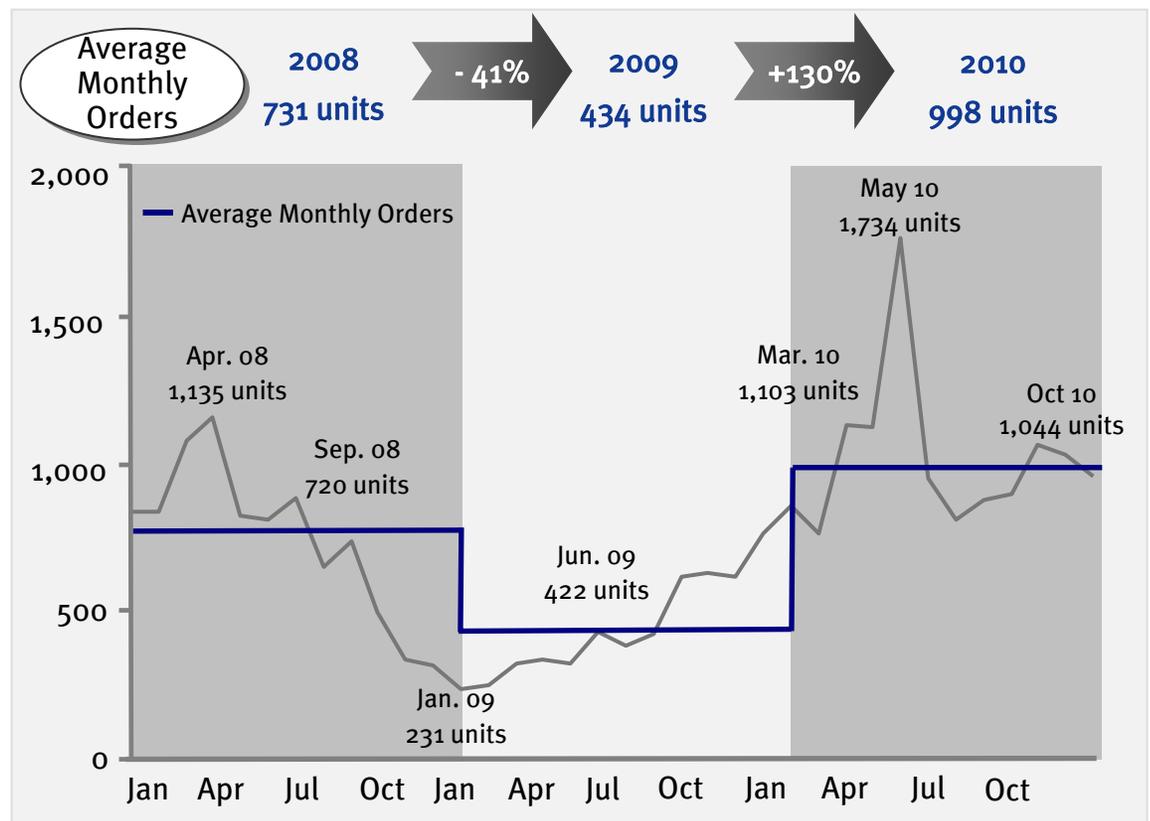
## 2 Machine tools : Developed markets also making recovery

- Machine tools sales surged by 153% YoY due to strong demand in Korea and visible recovery of all the global markets.
- Monthly orders are close to 1,000 units per month, which is already above the previous peak of 2008. Even developed markets such as US recorded order growth above 140% YoY.

### Regional sales breakdown



### Order trend

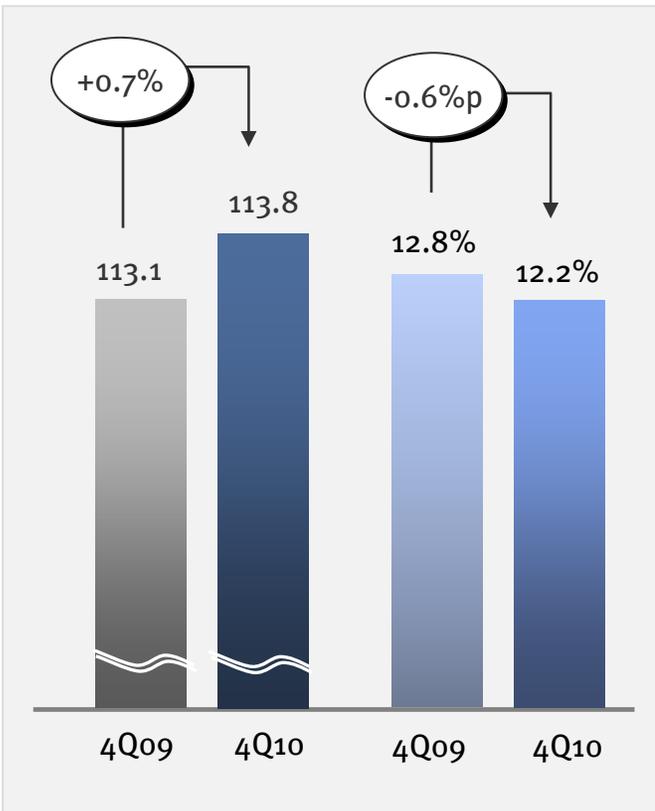


# Engine BG: Capacity expansion and new biz opportunities

- Sales remained solid due to efforts to secure more dealers in emerging market and EBIT margin was maintained at 12% level.
- Earnings should continue to improve given 1) more value-adding engine sales and 2) visible results from new business opportunities via Xuzhou-Doosan and US CNG engine sales.

## Sales and EBIT margin

(Unit : KRW billion)



## Sales outlook and mid/long term growth engine

### Sales outlook

- Added more dealers/OEM in emerging markets such as Latin America, Africa, Middle East and increased supply volume to DICC (our Chinese affiliate)
- Going forward, we plan to solidify our relationship with strategic partners, increase capacity for mid-sized engines (current 24,000 units → 40,000 units in April 2011) and further penetrate into profitable CNG and large generator engine markets such as Southeast Asia and the US.

### Mid/long term growth engine

- Construction of Xuzhou-Doosan engine plant (Production slated for July 2011)
  - Attain cost leadership and create synergies with existing businesses by building our secondary production base in China. (Plan to expand capacity to 100,000 units by 2018)
- Growth platform secured for CNG engine biz with the “US10” engine certification in North America
  - To commence supply to LAMTA (332 units)
  - To expand into bus and waste collection vehicle OEM markets

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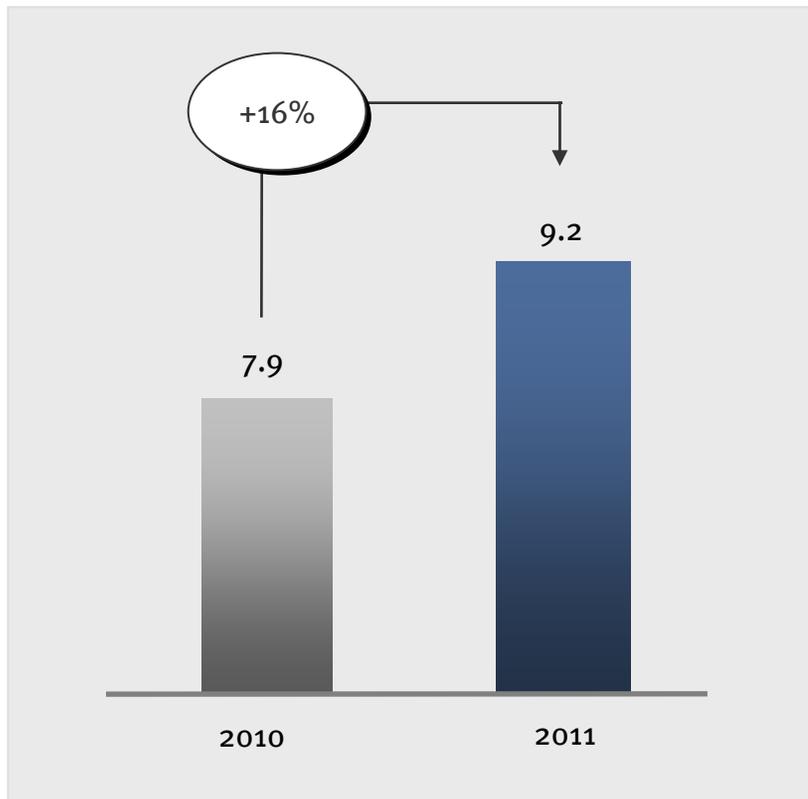
**5** DII 2011 Outlook

# DI 2011 outlook (based on IFRS)

- Sales expected to grow by 16% YoY to KRW 9.2 trillion in view of growth of key markets, market share expansion, product mix improvement and launch of new products.
- EBIT also projected to expand by 30% YoY to KRW 910 billion thanks to sales of high value-added products, price realization and cost reduction efforts.

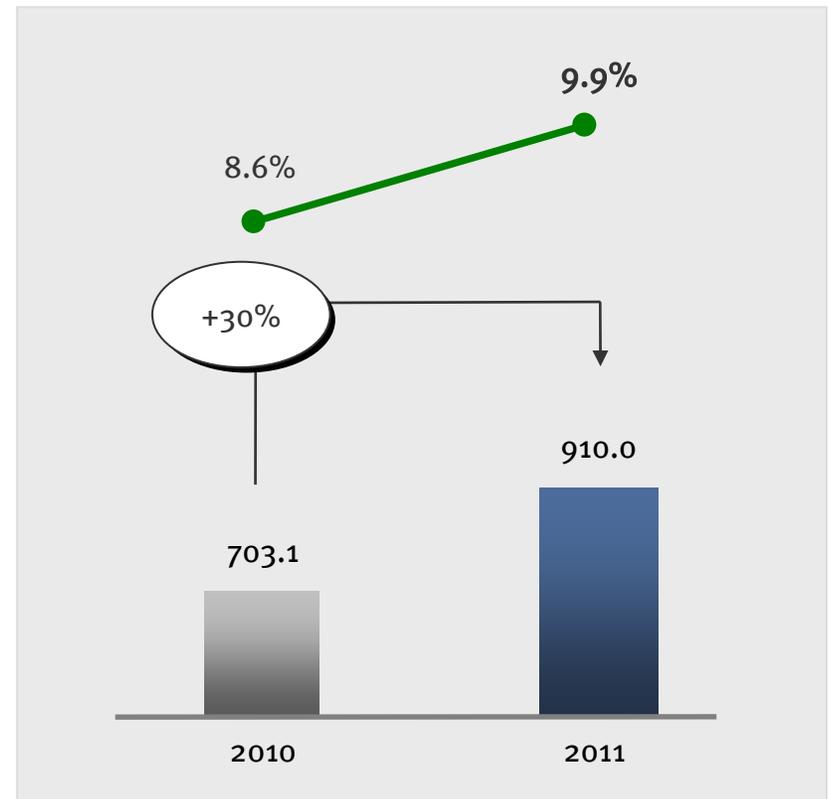
## Sales

(Unit : KRW trillion)



## EBIT (%)

(Unit : KRW billion)



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# 4Q10 results

- Sales improved by 75% YoY thanks to growth in key markets, market share expansion and price realization.
- Despite reflecting one-time costs such as incentive bonuses, EBIT also rose US\$106 million YoY.

## Results

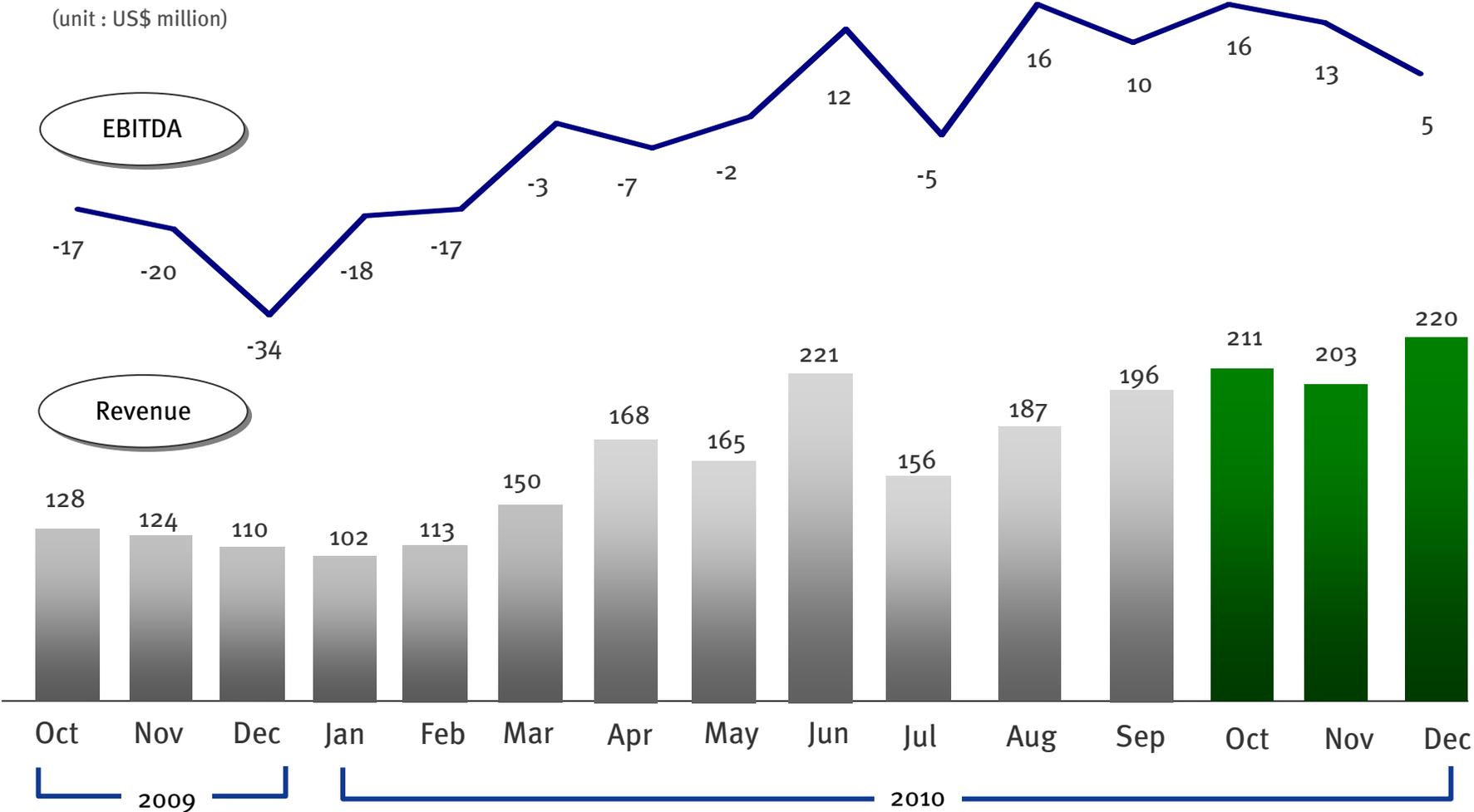
(unit : US\$ million)

	4Q09	1Q10	2Q10	3Q10*	4Q10	QoQ	YoY
Sales	362	365	554	539	<b>634</b>	+17.6%	<b>+75.1%</b>
EBIT	-102	-67	-25	-10	<b>4</b>	+14	<b>+106</b>
EBITDA	-71	-38	3	21	<b>34</b>	+13	<b>+105</b>
(Financing Expense)	39	21	32	27	<b>27</b>	-	<b>-12</b>
Net Profit	-163	-117	-75	-2	<b>-32</b>	-30	<b>+131</b>

\* 3Q10 numbers were adjusted for the US\$7mn provision taken by DII related to the lawsuit with Ingersoll Rand, which was disclosed on September 30, 2010.

# Stable earnings from improvement of fundamental cost structure

- EBITDA remained positive on the back of accelerated sales growth and better cost structure after restructuring.

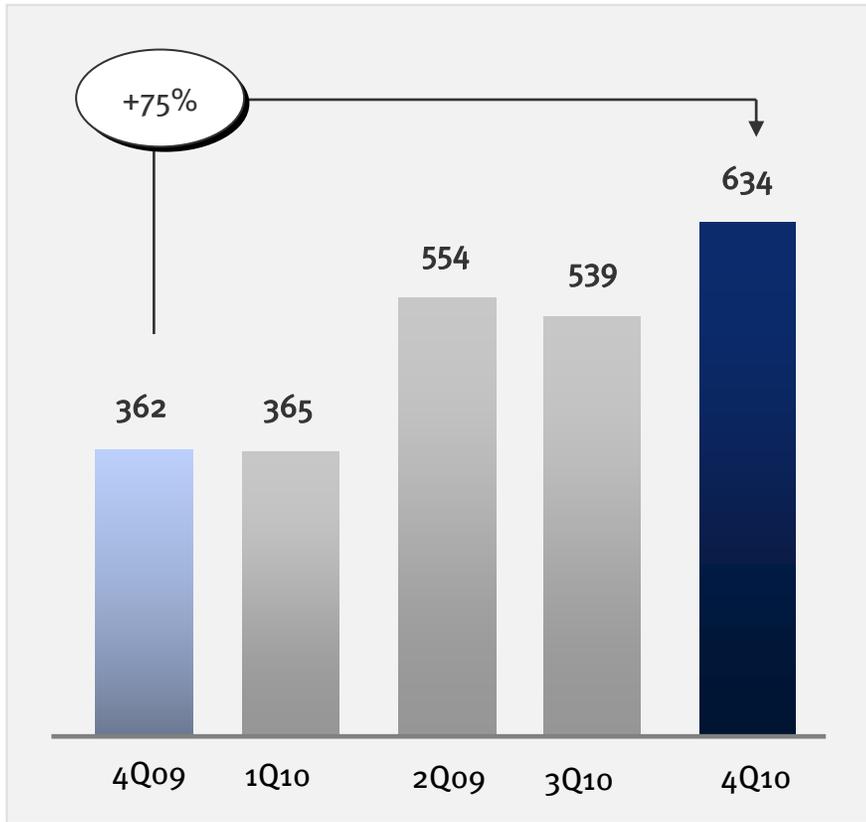


# 4Q10 regional sales

- Sales grew 75% YoY due to ① growth in North America and EMEA markets and ② market share expansion.

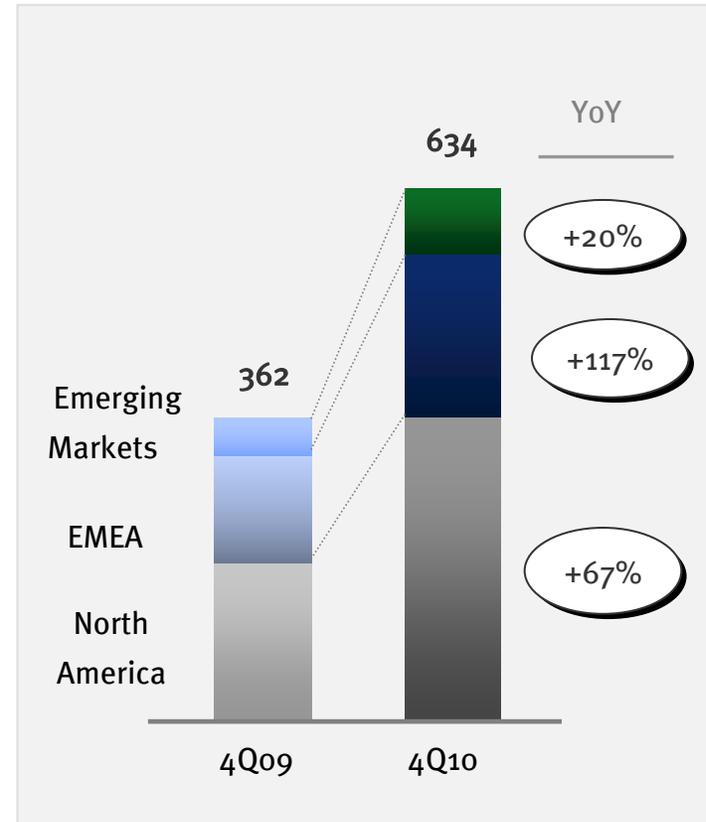
## Sales Trend

(unit : US\$ million)



## Regional Sales

(unit : US\$ million)

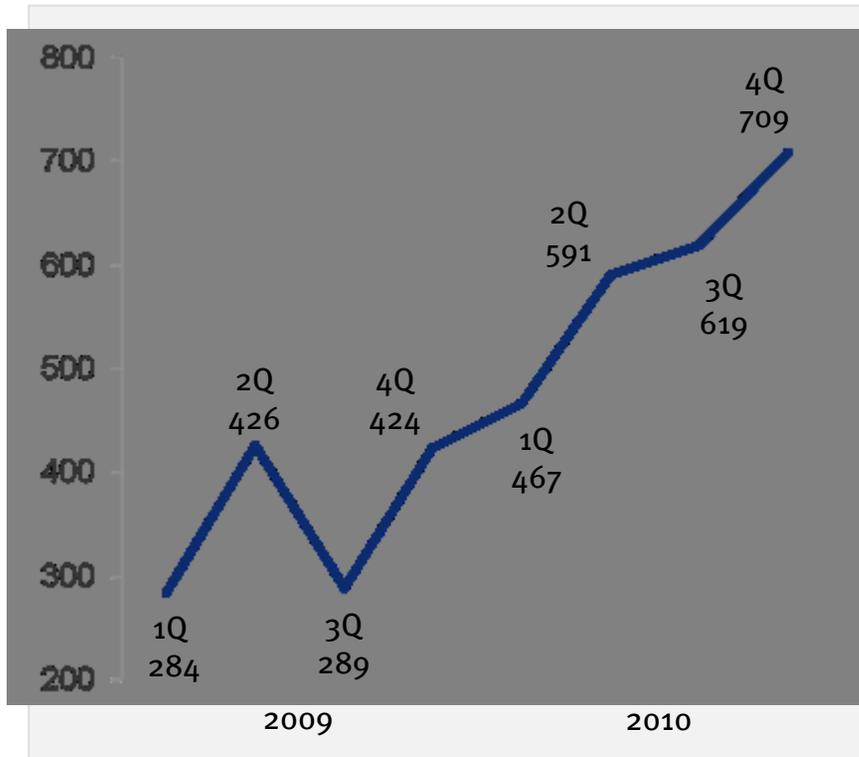


# Order growth and price hike should lead to high growth in 1Q11

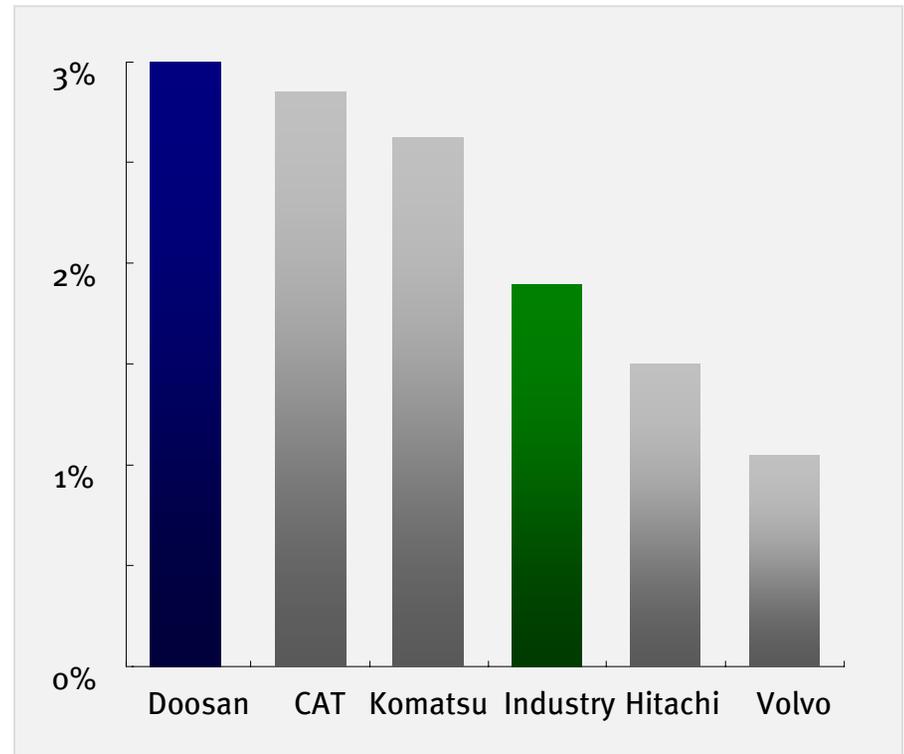
- Better 1Q11 outlook given 1) highest level of orders since the financial crisis and 2) dealers taking in more inventory.
- Prices are also on the rise – moreover, DII equipment price increases are trending above the industry average.

## Order trend

(unit : US\$ million)



## 4Q price trend (YoY comparison)



Note: ISI (International Strategy & Investment Group Inc.) Report in Jan, 2011 / Based on blended dealer pricing

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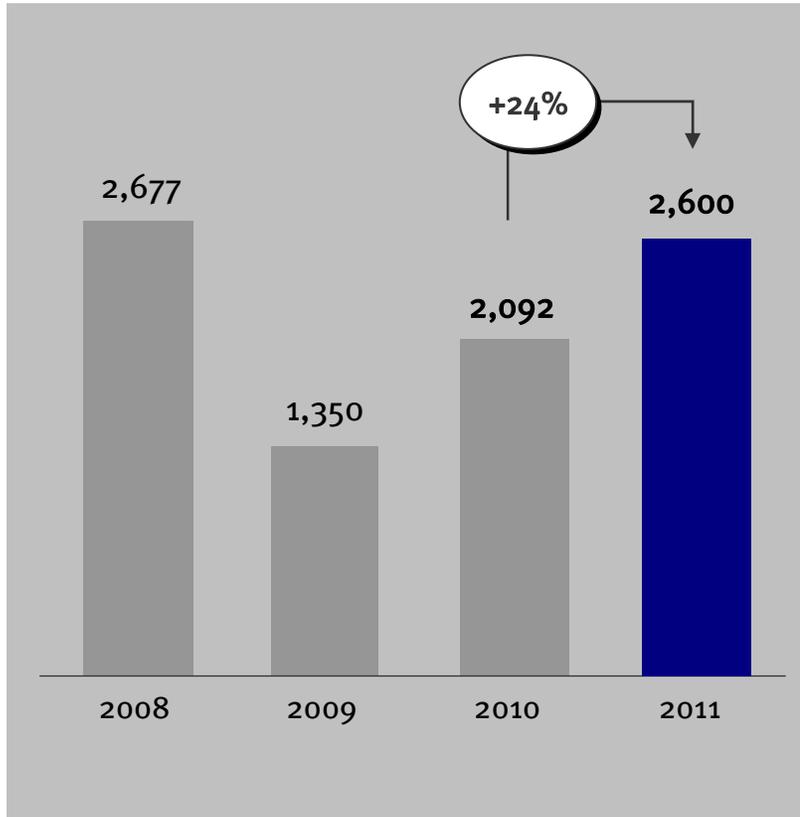
**5** DII 2011 Outlook

# DII 2011 outlook

- Backed by the recent economic recovery trend, continued stimulus packages and low interest environment by the federal bank, we project sales growth of 24% YoY to US\$2.6 billion and EBITDA of US\$200 million in 2011.

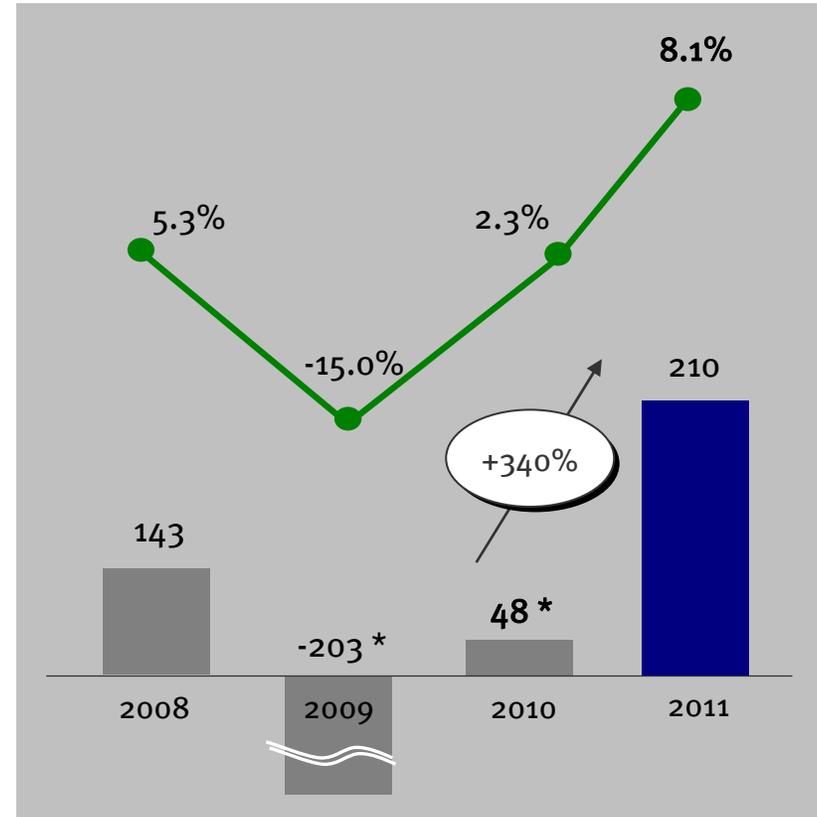
## Sales

(unit : US\$ million)



## EBITDA(%) \*

(unit : US\$ million)



\* Exclusive of one-time costs

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# Thank You