



Doosan Infracore

DOOSAN INFRACORE

# 2010 3Q Investor Meeting

October 2010



# Disclaimer

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**1**

## Doosan Infracore

— 3Q10 Results

— 3Q10 Highlights

**2**

## Doosan Infracore International

— 3Q10 Results

# 3Q10 results

- Sales surged by 68% YoY thanks to strong demand from emerging markets and gradual improvement in developed markets.
- EBIT grew substantially by 161% YoY due to product mix improvement, while pretax profit remained positive for three consecutive quarters.

## Results

(Unit : KRW billion)

	3Q09	4Q09	1Q10	2Q10	3Q10	QoQ	YoY
Sales	653.6	731.9	933.4	1,120.2	<b>1,095.5</b>	-2.2%	<b>67.6%</b>
EBIT	63.8	80.4	105.2	139.0	<b>166.3</b>	19.6%	<b>160.7%</b>
EBIT margin (%)	9.8%	11.0%	11.3%	12.4%	<b>15.2%</b>	2.8%p	<b>5.4%p</b>
EBITDA	78.9	98.4	127.4	161.1	<b>182.5</b>	13.3%	<b>131.3%</b>
(Financial Cost)	38.4	39.4	39.1	37.9	<b>35.7</b>	-5.8%	<b>-7.0%</b>
(Equity method)	-80.9	-78.7	-42.2	-13.2	<b>-32.5</b>	-	-
Pretax profit	-193.4	-81.9	20.4	40.9	<b>18.7</b>	-54.3%	<b>TB</b>

# 3Q10 divisional sales & EBIT

- The construction equipment division reported remarkable EBIT margin of 23% 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 Europe and Korea.

## Sales

(Unit : KRW billion)

		QoQ	YoY
Construction Equipment	552.3	-12.3%	+67.2%
Machine Tools	227.4	+2.8%	+147.6%
Engines	154.3	+66.0%	+45.0%
Others	161.6	-8.2%	+28.5%
<b>Total</b>	<b>1,095.5</b>	<b>-2.2%</b>	<b>+67.6%</b>

## EBIT

(Unit : KRW billion)

		QoQ	YoY
Construction Equipment	124.1 (22.5%)	+6.3%	+93.7%
Machine Tools	12.8 (5.6%)	+20.6%	TB
Engines	16.3 (10.6%)	+179.3%	+26.8%
Others	13.1 (8.1%)	+125.5%	+80.2%
<b>Total</b>	<b>166.3 (15.2%)</b>	<b>+19.6%</b>	<b>+160.7%</b>

# 3Q10 financials

- Financial structure improved as we took proactive measures to reduce debt by KRW321.1bn year-to-date.

## Financials

(Unit : KRW billion)

	2008	2009	1Q10	2Q10	3Q10	QoQ	Relative to end-2009
Current Assets	1,995.8	1,528.7	1,671.9	1,725.2	<b>1,646.8</b>	-78.4	+118.1
Fixed Assets	2,929.8	3,249.9	3,093.0	3,081.4	<b>2,997.8</b>	-83.6	-252.1
Total Assets	4,925.6	4,778.6	4,764.9	4,806.6	<b>4,644.6</b>	-162.0	-134.0
Total Liabilities	3,379.9	3,497.7	3,522.3	3,550.1	<b>3,349.3</b>	-200.8	-148.4
- Debts	1,530.5	2,570.9	2,438.9	2,383.8	<b>2,249.8</b>	-134.0	-321.1
Total Shareholders' Equity	1,545.7	1,280.9	1,242.6	1,256.4	<b>1,295.3</b>	+38.9	+14.4

**1**

## Doosan Infracore

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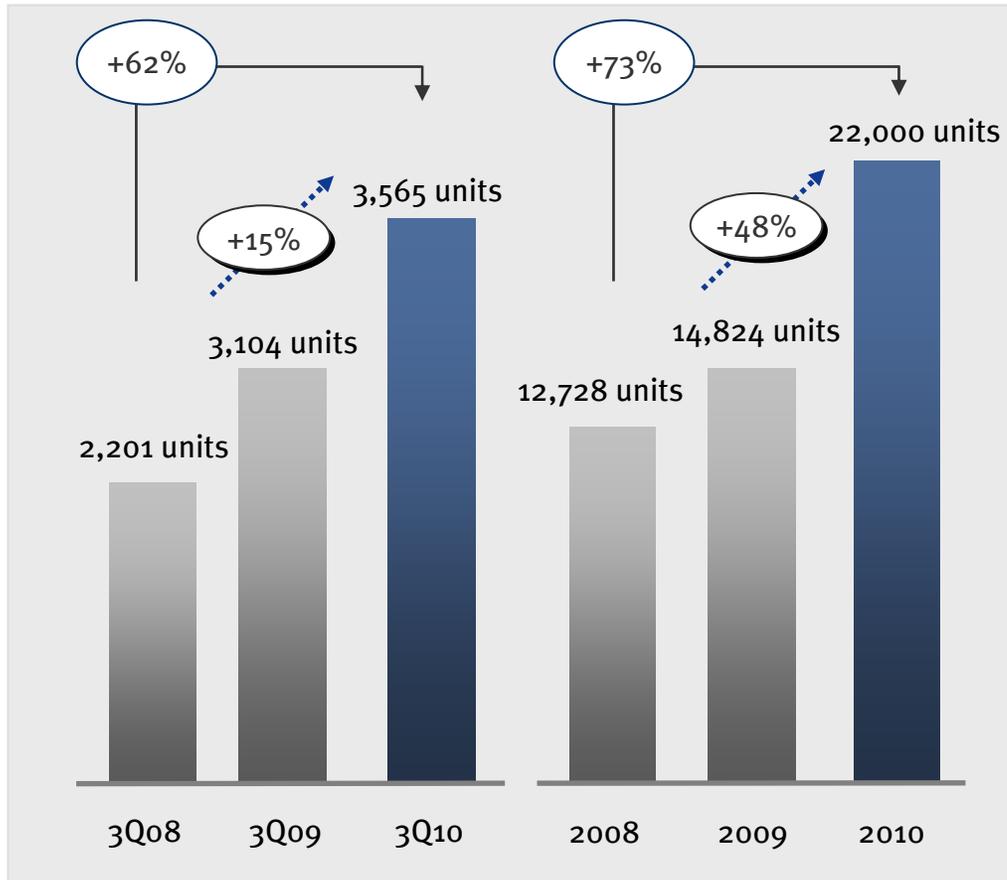
## Doosan Infracore International

— 3Q10 Results

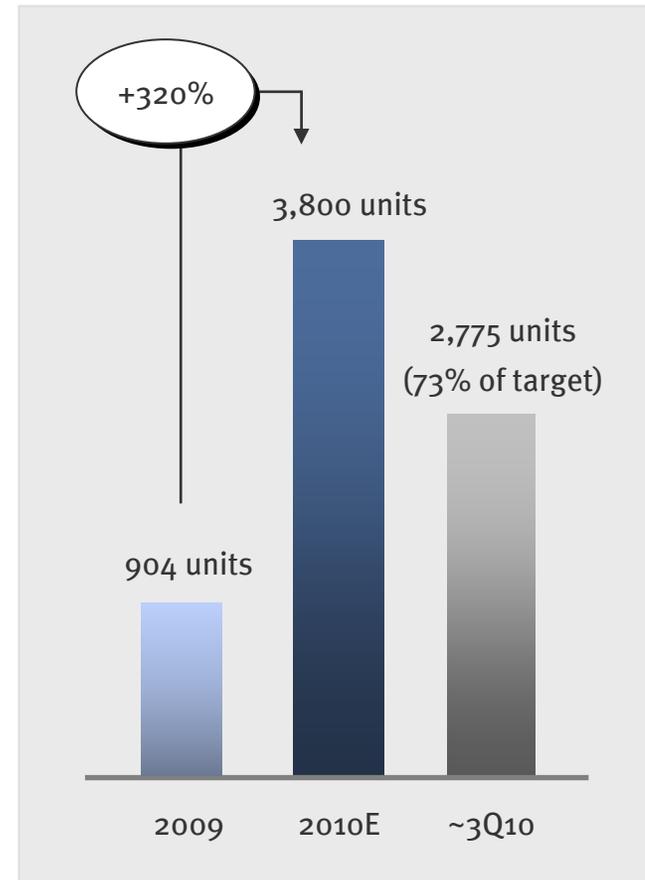
# 1-1 Construction equipment: China momentum

- Despite the low demand season, excavator sales in China remained solid and climbed 15% YoY to 3,565 units.
- Thanks to the successful localized premium wheel loader models, we have attained 73% of our 2010 target.

### China excavator sales trend



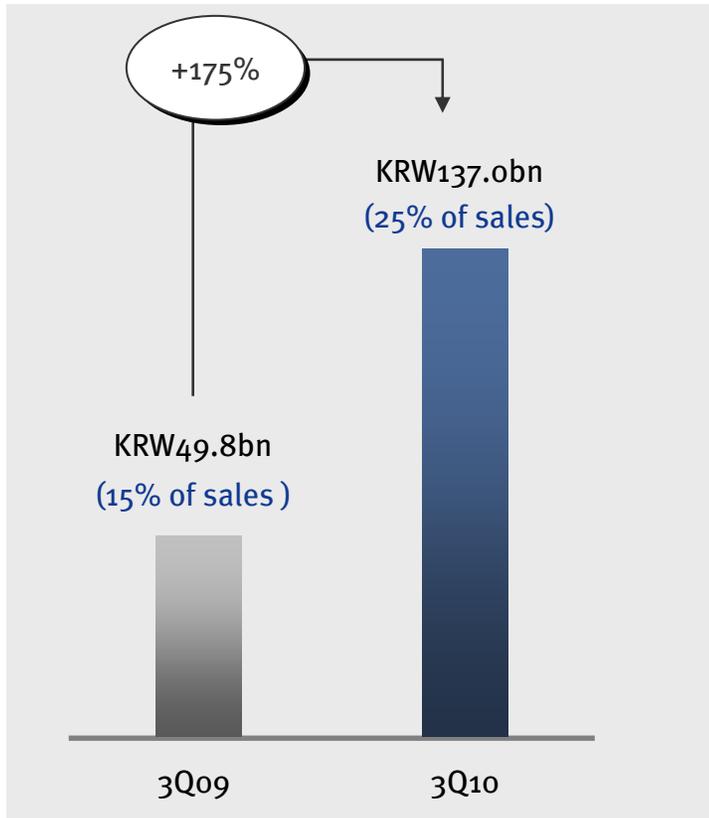
### China wheel loader sales trend



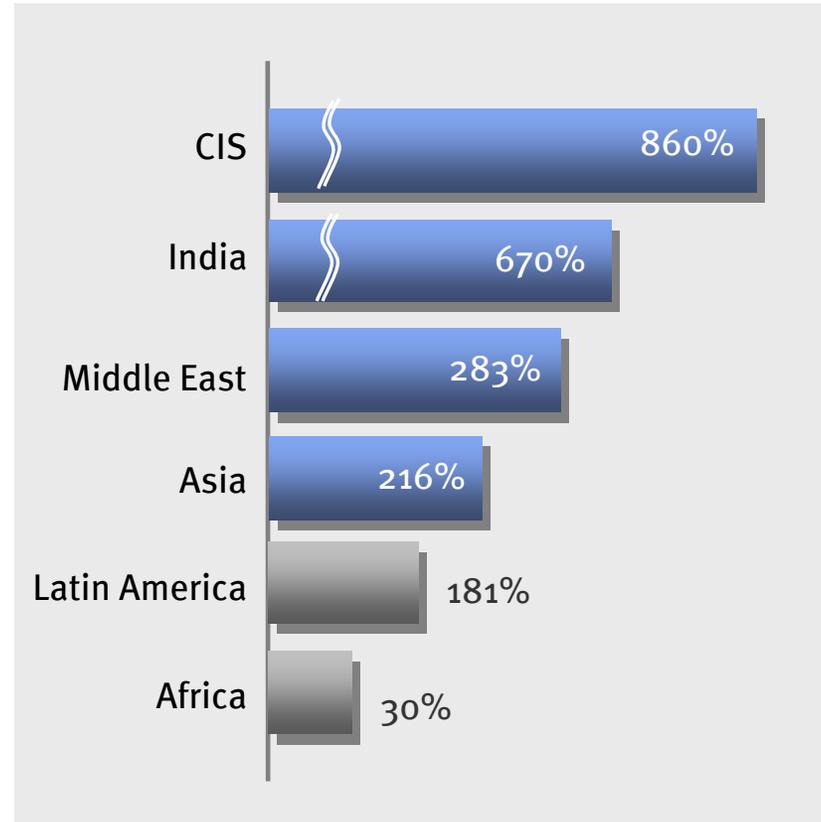
# Construction equipment: Emerging markets in full swing

- Sales from emerging markets grew remarkably by 175% YoY in line with strong growths from CIS and India.
- Backed by solid revenue contribution (15% → 25% of sales), emerging markets have truly emerged as the growth engine for the construction equipment division.

## Sales from emerging markets



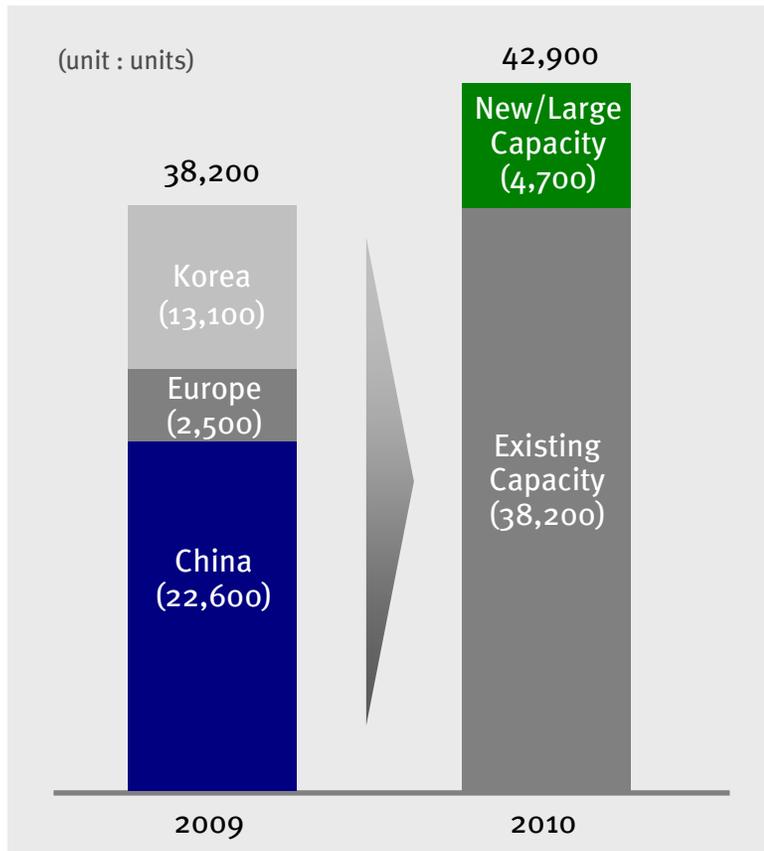
## Sales growth by region (YoY comparison)



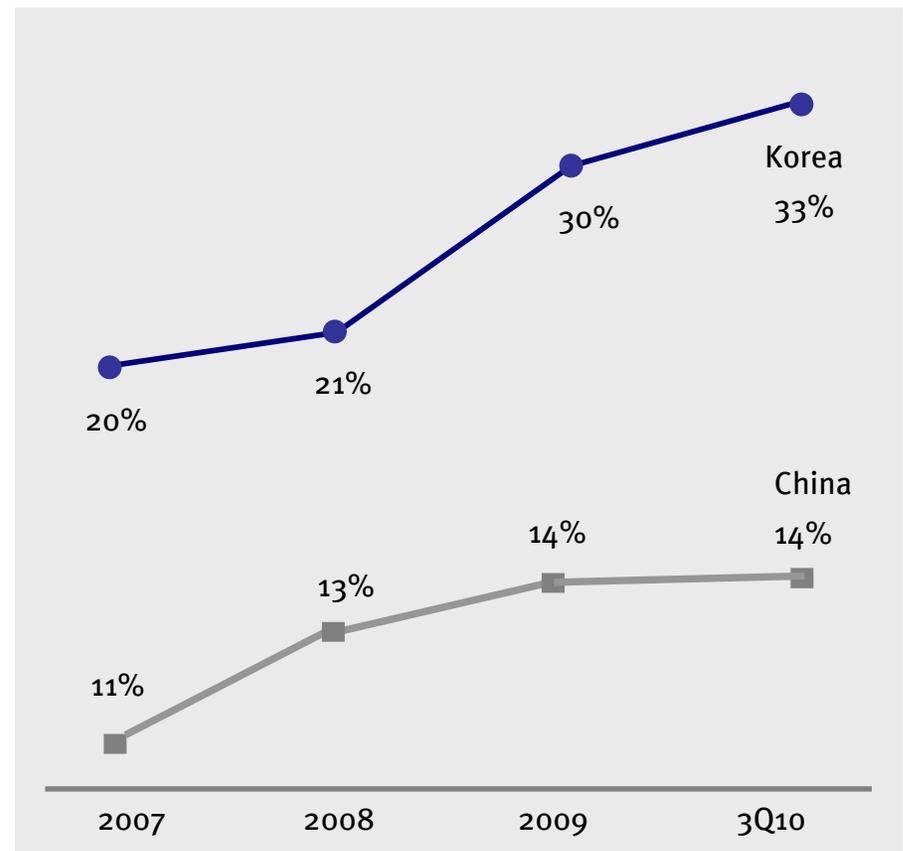
# 1-3 Construction equipment: Competitive in X-large excavators

- We have started to make remarkable strides in the extra-large excavator market with the newly established Gunsan plant.

## Expansion of excavator capacity



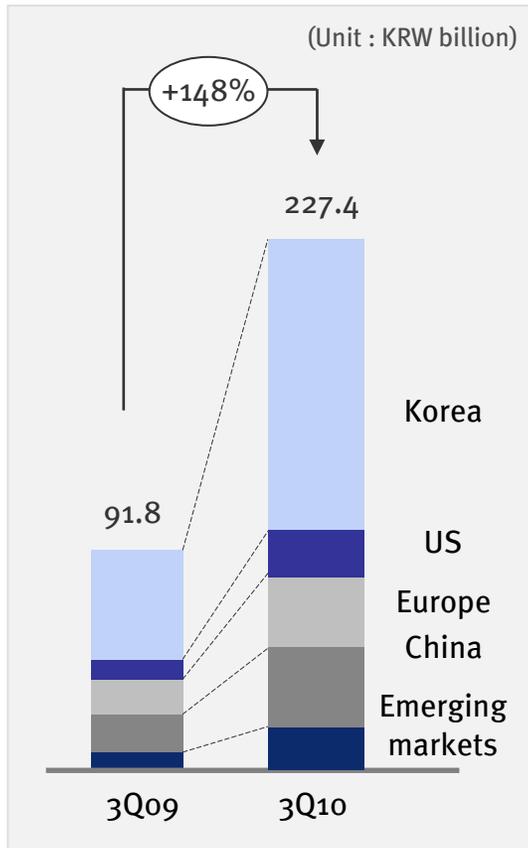
## Market shares of X-large excavators in Korea/China



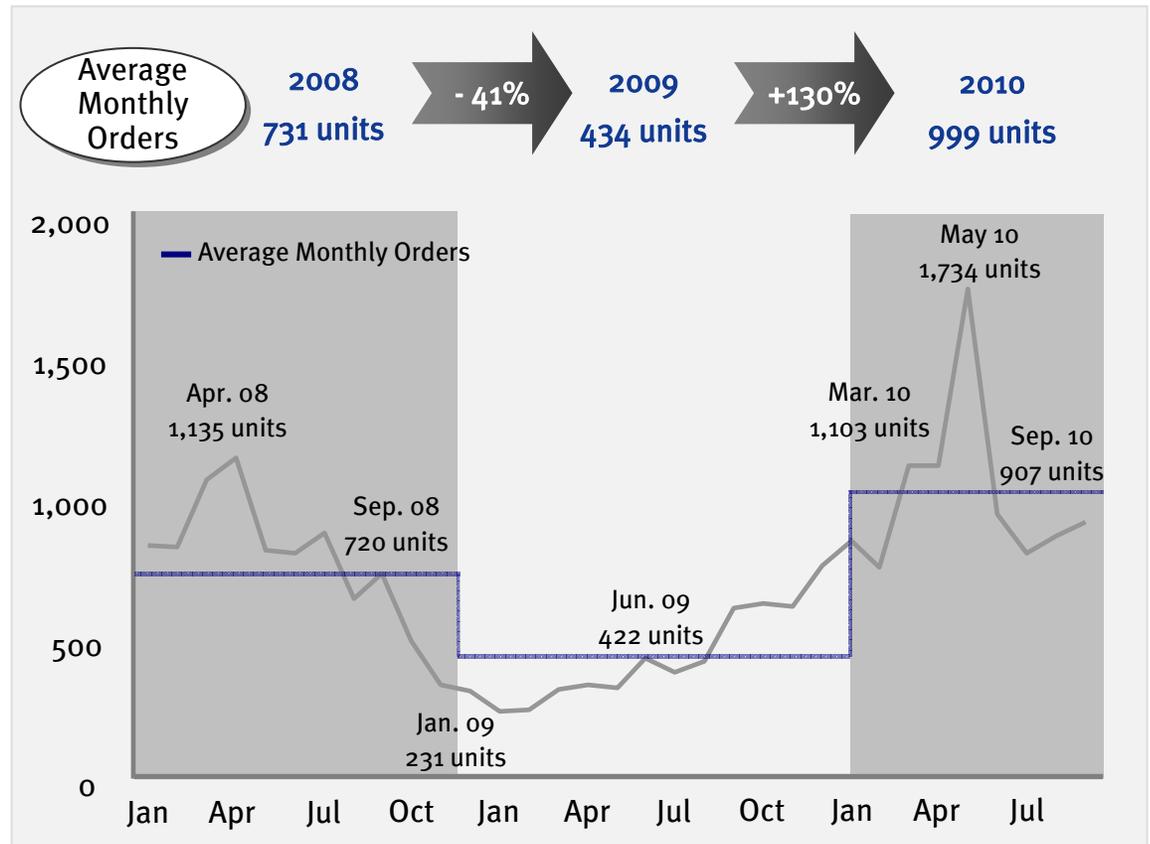
## 2 Machine tools : Developed markets also making recovery

- Machine tools sales surged by 148% YoY due to strong demand growth in Korea/China and visible recovery of the developed markets.

### Regional sales breakdown



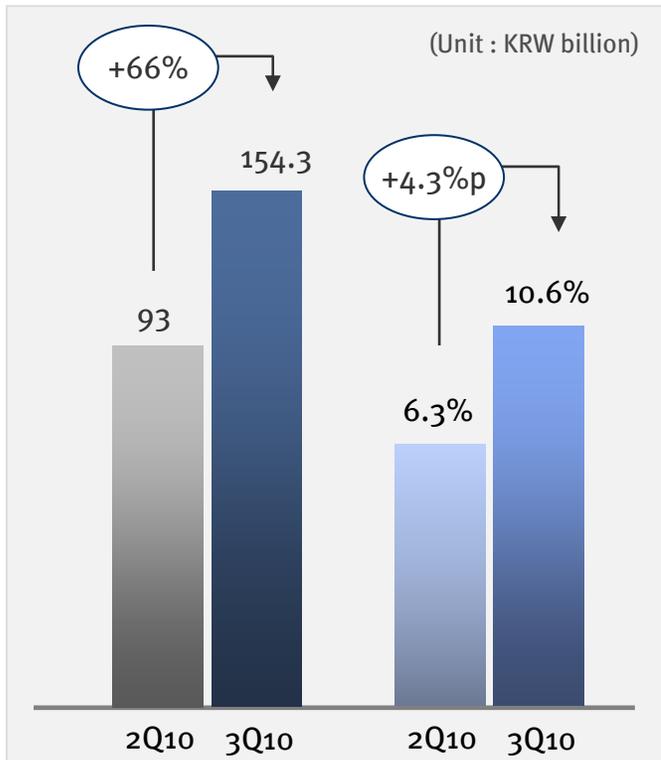
### Order trend



# 3 Engine BG: Full-fledged earnings growth from 2H

- EBIT margin improved 4.3%p to 11% thanks to 1) growing demand in Korea and emerging markets and 2) enhanced product mix.
- Earnings should continue to improve from 4Q given 1) more value-adding sales with the launch of Euro 5 engines and 2) market diversification into emerging markets.

## Sales and EBIT margin



## Sales outlook and mid/long term growth engine

### Sales outlook

- Added 25 dealers/OEM in emerging markets and increased supply volume to DICC (our Chinese affiliate) up to 3Q10
- Sales of commercial vehicle engine have normalized in view of 1) Tata Commercial Vehicle establishing its separate sales subsidiary and 2) Daewoo Bus completing its plant relocation.
- Going forward, we project increased engine usage by captive customers thanks to enhanced price competitiveness against imported products even with the price hike after the launch of Euro 5 engines.
- Further penetration into emerging markets (Africa, CIS, Latin America) should yield greater export volume of mid/large engines.

### 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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— 3Q10 Results

# 3Q10 results

- Sales improved by 41% YoY and EBITDA by US\$77mn thanks to growth in key markets and price realization.
- Net profit turned positive during the quarter in light of EBIT growth and F/X related gains.

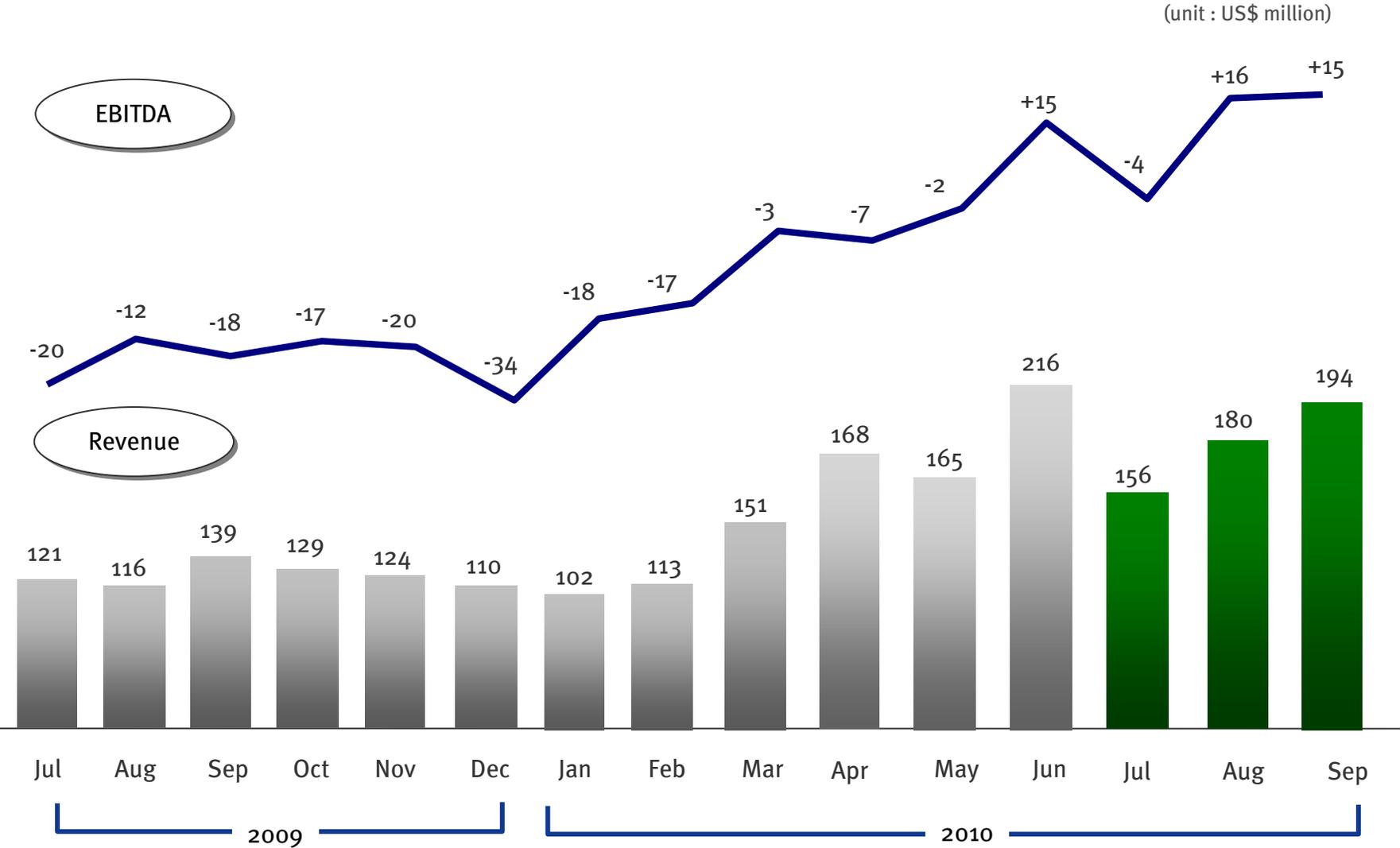
## 3Q results

(unit : US\$ million)

	3Q09	4Q09	1Q10	2Q10	3Q10	QoQ	YoY
Sales	376	362	365	549	<b>531</b>	-3.3%	<b>+41.2%</b>
EBIT	-81	-102	-67	-22	<b>-5</b>	+17	<b>+76</b>
EBITDA	-50	-71	-37	6	<b>27</b>	+21	<b>+77</b>
(Financing Expense)	29	39	21	32	<b>26</b>	-6	<b>-3</b>
Net Profit	-98	-163	-117	-72	<b>2</b>	+74	<b>+100</b>

# Stable earnings from improvement of fundamental cost structure

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

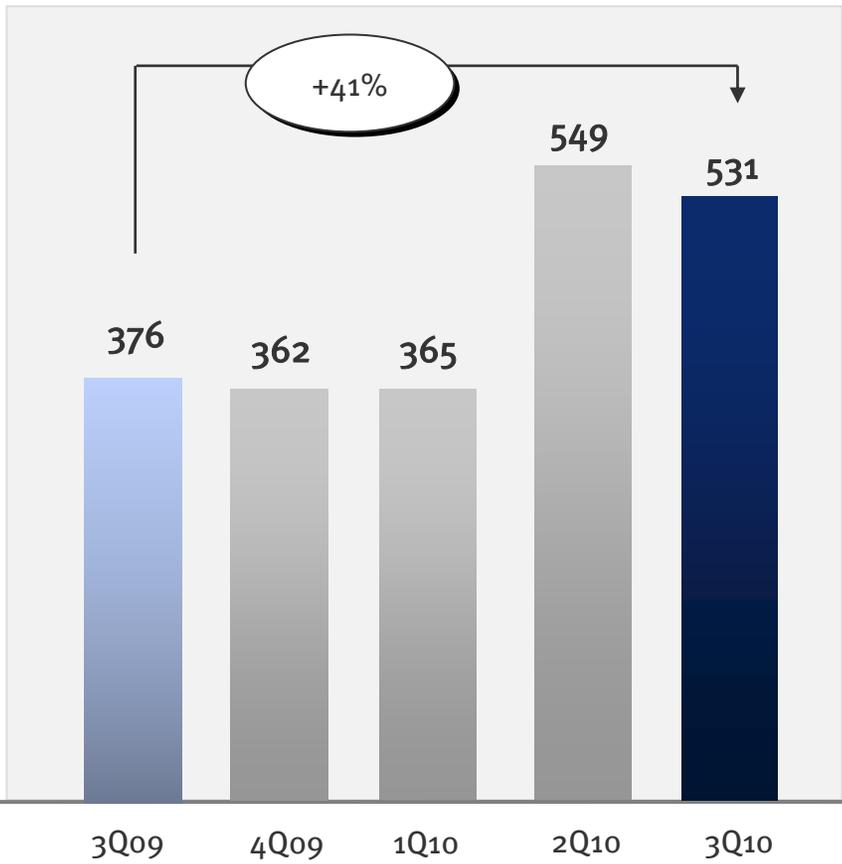


# 3Q10 regional sales

- Sales grew 41% YoY due to visible recovery in North America and EMEA.

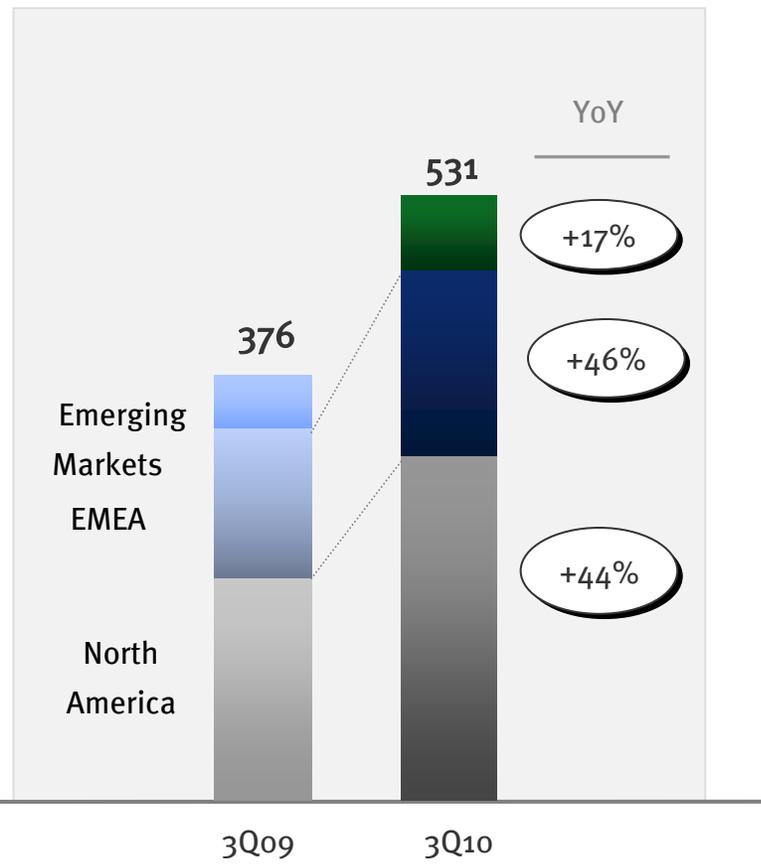
## Sales Trend

(unit : US\$ million)



## Regional Sales

(unit : US\$ million)

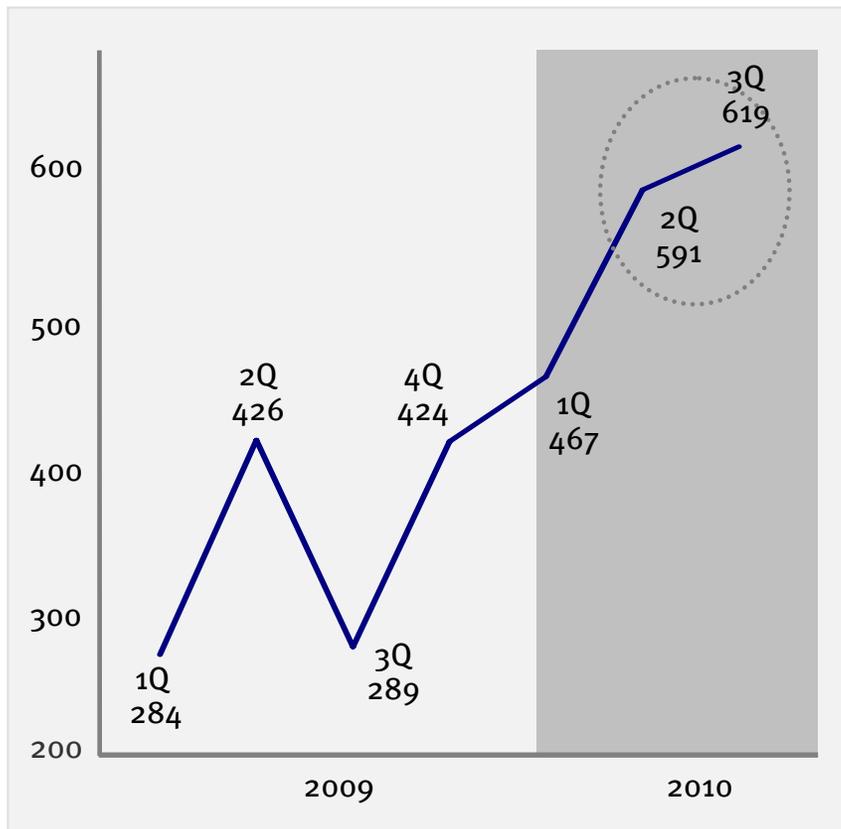


# Bright 4Q outlook thanks to better order and market condition

- Better 4Q outlook due to 1) highest level of orders since the financial crisis and 2) absence of dealer inventory reductions.
- Economic and market conditions in the US, which is the key market, are also on the rebound.

## Order trend

(unit : US\$ million)



## 4Q Outlook

- Orders are growing in 2010 thanks to 1) market recovery and 2) absence of dealer destocking that occurred from 4Q08 with the market downturn.
- Signals are also positive from the US housing market.
  - Housing starts : Up 3 consecutive months
  - Pending home sales index : Up 2 consecutive months
  - Housing market index : Improving year-to-date
- Market conditions from 4Q10 should improve as a result of economic stimulus measures by the US government and low interest rate policy of the Federal Reserve Bank.

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# Thank You