



Doosan Infracore

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2012 4Q Investor Meeting

February 2013



Disclaimer

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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Strategy

2012 results *

2012

- Sales declined marginally YoY due to slowing global economy and resultant weaknesses in business environment. EBIT declined in all regions except for DII.
- Net profit improved as it includes tax profit of KRW403.4 billion from DII's deferred tax asset.

4Q12

- Sales declined YoY due to deterioration of China and Europe market condition and US fiscal cliff .
- EBIT fell due to sales decrease in main regions and a drop in utilization rate in order to lower inventory level.

Results

(Unit : KRW billion)

	2011	2012	YoY	4Q11	4Q12	YoY	3Q12	QoQ
Sales	8,463.1	8,158.4	-3.6%	2,040.5	1,776.0	-13.0%	1,859.4	-4.5%
EBIT**	679.6	362.4	-46.7%	104.1	-25.3	TR	36.5	TR
EBIT margin (%)	8.0%	4.4%	-3.6%p	5.1%	-1.4%	TR	2.0%	TR
(Net Financial Cost)	320.1	360.5	+12.6%	87.5	86.9	-0.7%	91.3	-4.8%
(F/X gains/losses)	-13.8	79.5	TB	-12.0	35.7	TB	62.3	-42.7%
Income Tax***	78.3	-423.8		2.3	-253.0		-25.2	
Net Profit	310.8	404.0	+30.0%	-13.8	104.6	TB	24.1	334.0%

* Figures are based on consolidated K-IFRS.

** EBIT is subject to the revision of K-IFRS regarding the calculation policy for operating profit. Before revision, 2011 EBIT is KRW708.5 billion.

*** 2012 net profit includes tax profit of KRW403.4 billion from DII's deferred tax asset.(2Q: KRW212.3 billion, 4Q: KRW191.1 billion)

2012 divisional sales & EBIT *

- Despite sales increased at DII, total sales and EBIT of construction equipment division decreased due to declined demand in China.
- Although the demand in Korea slowed down in 2H, sales of machine tools division increased marginally thanks to US markets in 1H.

Sales

(Unit : KRW billion)

		% of sales	YoY
Construction Equipment	6,132.3	75.2%	-5.5%
Machine Tools	1,472.8	18.0%	+3.3%
Engines	553.3	6.8%	+0.6%
Total	8,158.4	100%	-3.6%

EBIT & Margin

(Unit : KRW billion)

		EBIT margin	YoY
Construction Equipment	230.2	3.8%	-49.8%
Machine Tools	153.0	10.4%	-12.8%
Engines	-20.8	-3.8%	TR
Total	362.4	4.4%	-46.7%

* Figures are based on consolidated K-IFRS

4Q12 divisional sales & EBIT *

- Sales and EBIT of the construction equipment division decreased YoY due to sales declined in China and Europe and utilization ratio fell in order to lower inventory level.
- Sales and EBIT of machine tools division declined due to slowing demand in Korea and temporarily delaying demand at year-end because of the economy uncertainty.

Sales

(Unit : KRW billion)

		% of sales	YoY
Construction Equipment	1,272.6	71.7%	-13.8%
Machine Tools	358.8	20.2%	-12.8%
Engines	144.6	8.1%	-5.6%
Total	1,776.0	100%	-13.0%

EBIT & Margin

(Unit : KRW billion)

		EBIT margin	YoY
Construction Equipment	-37.7	-3.0%	TR
Machine Tools	22.7	+6.3%	-59.0%
Engines	-10.4	-7.2%	TR
Total	-25.3	-1.4%	TR

* Figures are based on consolidated K-IFRS

Construction equipment BG details **

2012

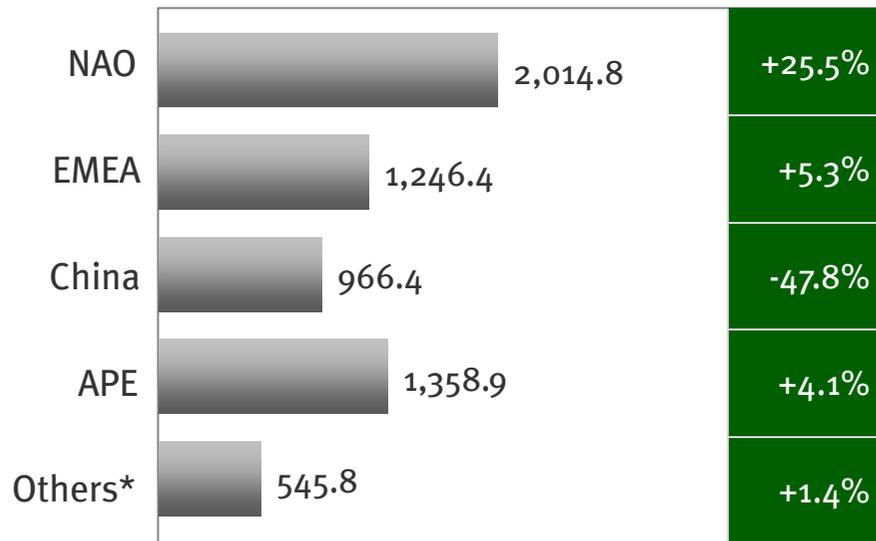
- Despite deterioration of business environment, NAO recorded steady sales growth. China, however, declined substantially YoY as customer's purchasing decision was delayed before change in government.

4Q12

- APEM increased in sales YoY while China and Europe decreased due to the global recession.
- Sales of NAO declined marginally YoY due to the base effects of 4Q11 and temporally delaying demand for fiscal cliff at the end of the year.

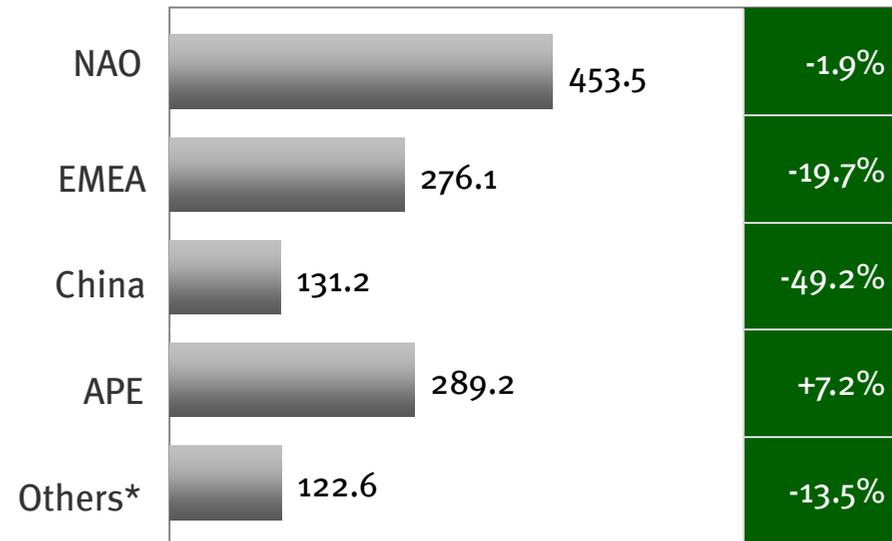
2012 sales

(Unit : KRW billion)
YoY



4Q12 sales

(Unit : KRW billion)
YoY



* Others include sales from DIPP, ADT and Headquarter

** Figures are based on consolidated K-IFRS

2012 DII results

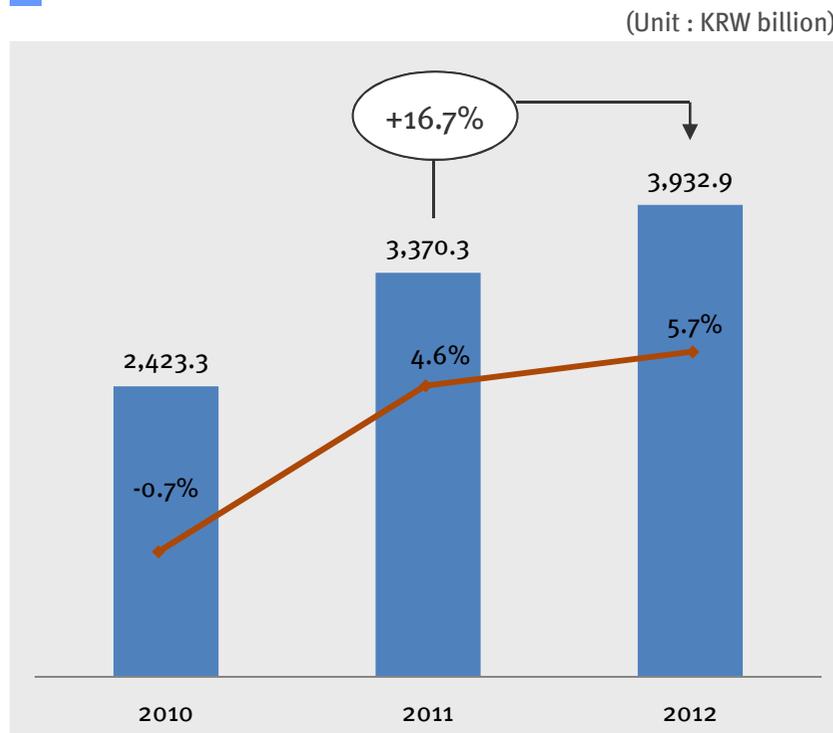
2012

• Although Europe remained weak in 2H, DII's growth continued substantially thanks to the increase of replacement demand in US and expansion of manufacturing facilities. EBIT continued to improve at DII since the year of 2011.

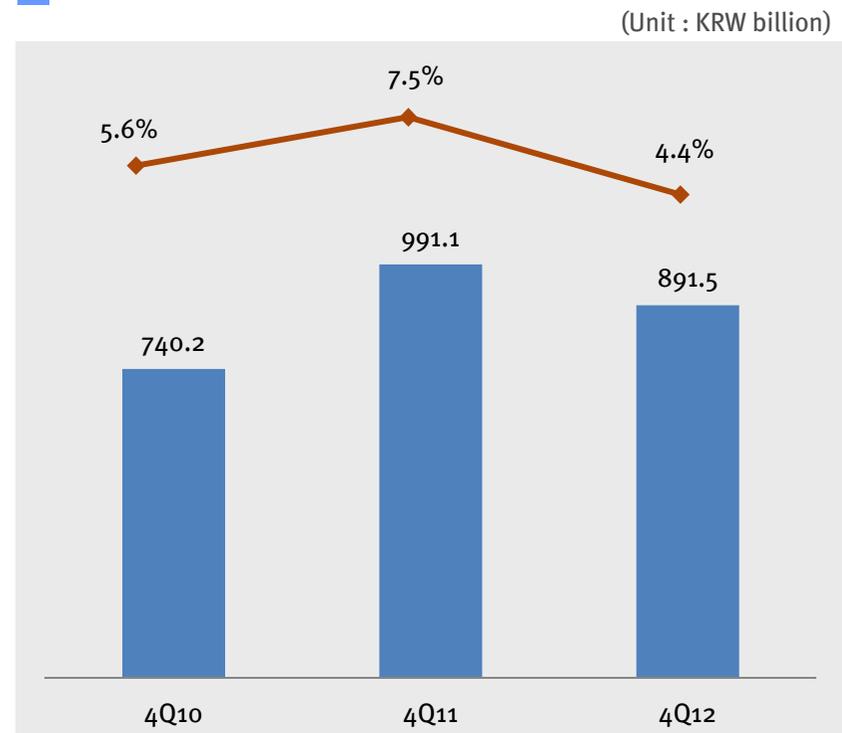
4Q12

• Sales and EBIT temporarily declined due to Europe and a drop in utilization rate in order to lower inventory level.

Yearly sales and EBIT margin at DII



Quarterly sales and EBIT margin at DII



Financial structure *

- Despite deterioration of business environment, total asset increased by KRW711.5 billion and total liabilities decreased KRW862.4 billion thanks to financial soundness enhancement activities such as reorganization of DII's deferred tax asset, issuance of hybrid bond and tax cut from FI Put Option.
- Net profit increased substantially thanks to the recognition of deferred tax asset from DII which makes it possible to save income tax for next seven years.
- Liabilities/Equity Ratio declined substantially thanks to increase of the shareholder's equity and decrease of the Liabilities.

Financials

(Unit : KRW billion)

	2010	2011	2012	YoY(amount)
Current Assets	3,855.7	4,232.5	3,862.0	-370.5
Fixed Assets	7,155.9	7,471.2	7,690.8	+219.6
Total Assets	11,011.6	11,703.7	11,552.8	-150.9
Total Liabilities	9,254.1	9,418.5	8,556.1	-862.4
- Net Debt	5,548.5	5,344.4	5,504.9	+160.5
Total Shareholders' Equity	1,757.5	2,285.2	2,996.7	+711.5
Liabilities/Equity Ratio	526.5%	412.2%	285.5%	-126.7%p

* Figures are based on consolidated K-IFRS

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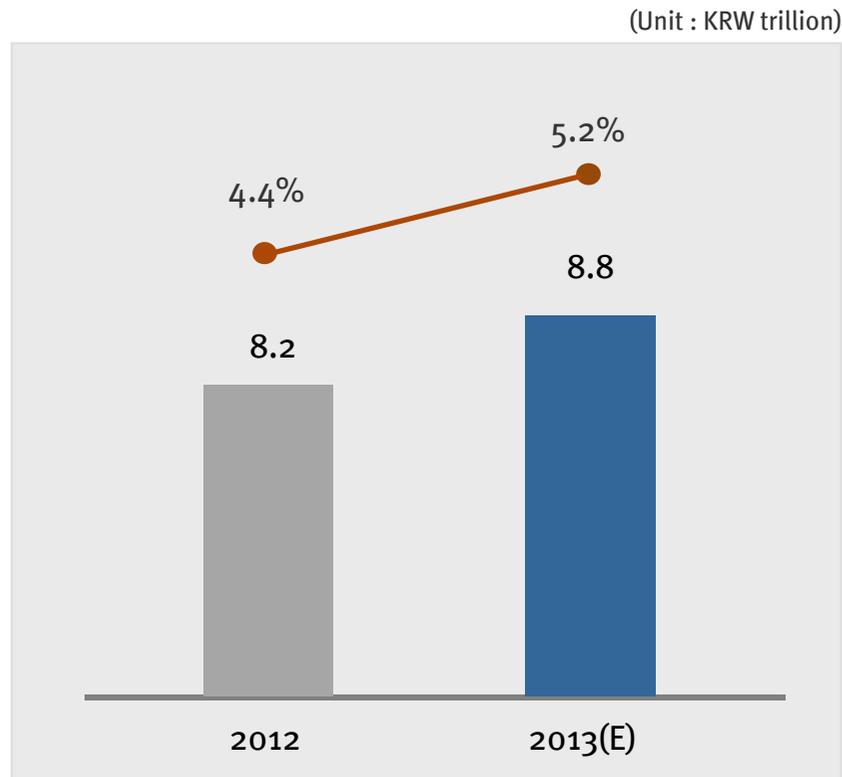
2 2013 Outlook

3 Strategy

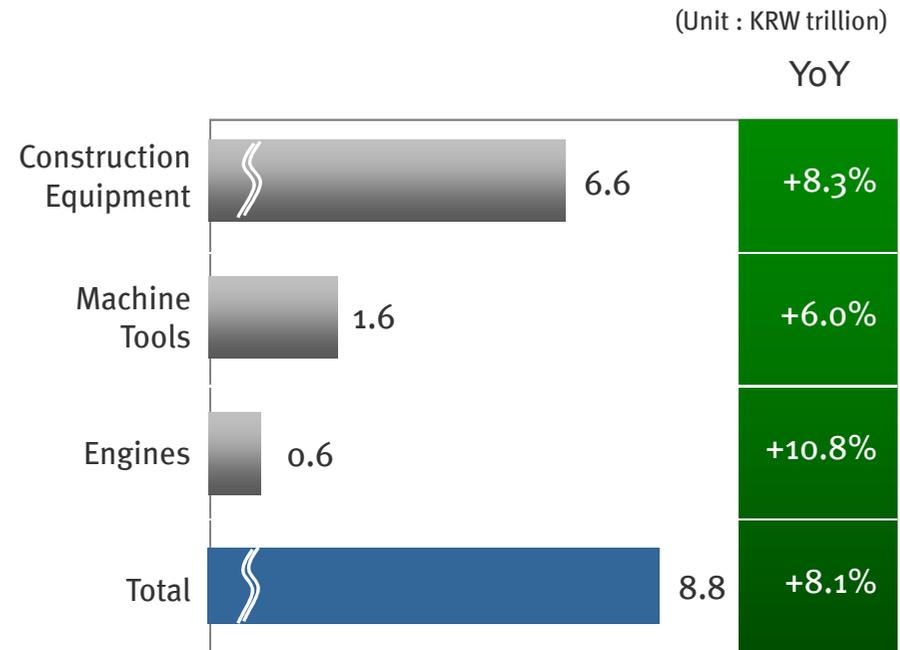
2013 outlook *

- Sales to increase 8% YoY to KRW8.8 trillion reflecting the slow growth of the global economy.
- EBIT to grow 27% YoY to KRW460 billion by short-term profitability optimization.

Sales and EBIT margin



Sales outlook by division



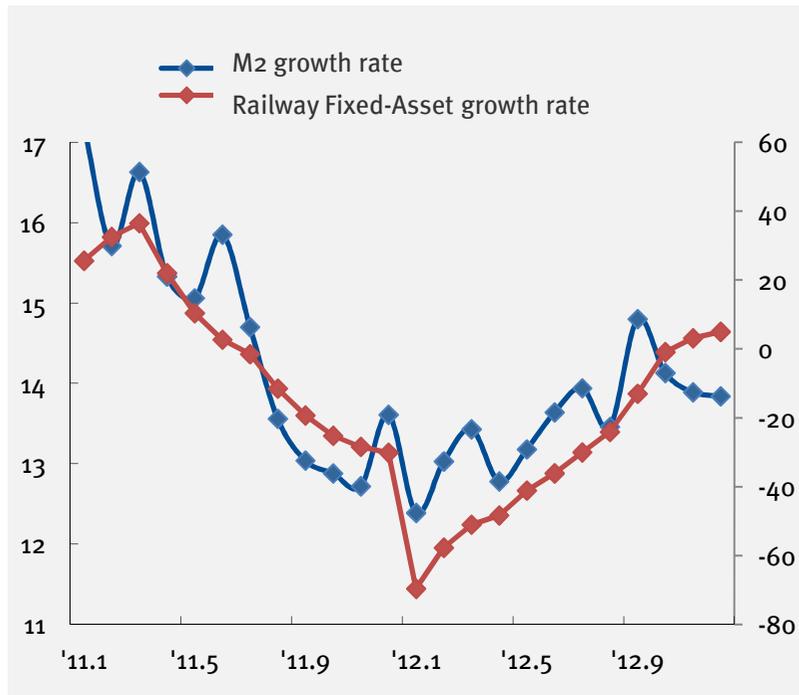
* Figures are based on consolidated K-IFRS

CE : China Market will gradually recover from 2013

- Although industry is gradually recovering since 3Q12, construction market is likely to bottom out from 1Q13.
- We project the full-fledged recovery after lunar New Year when the dealer's inventory and utilization ratio become reasonable level.
- We expect sales in China outperform the market by 1) launching new models targeting for urbanization, improvement of rural housing environment and mining optimization, 2) localizing human resource to manage close relationship with major client and, 3) reorganizing dealers.

China investment and M2 growth

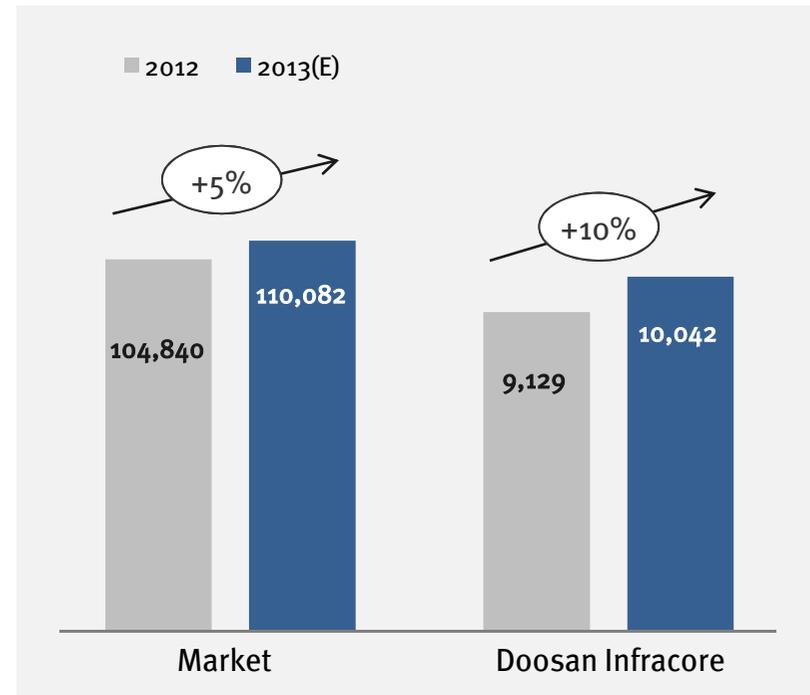
(Unit : %)



Source : Bloomberg

China market size and DI's target

(Unit : unit)

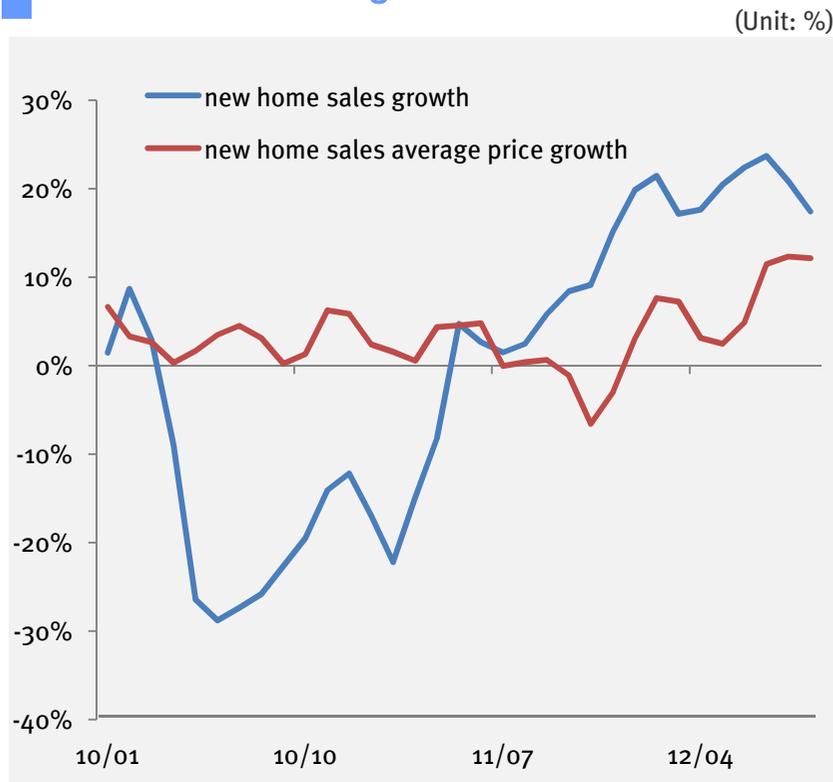


Source: CCMA

CE : Continued growth in US market

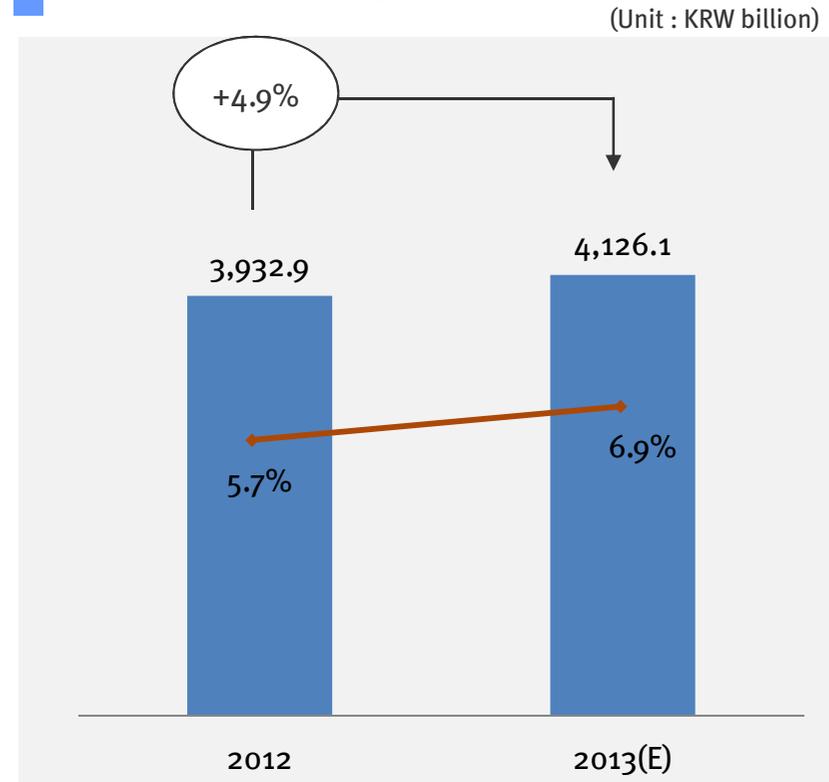
- DII's growth continued to be stable on the back of the recovery of housing market in North America.
- Focus on profitability than volume drive under such circumstances that Europe remained weak and potential negative F/X impact.
 - Release new products with enhanced fuel-efficiency, cost advantage through material cost savings, and price realization.

US new-home sales growth



Source : Bloomberg

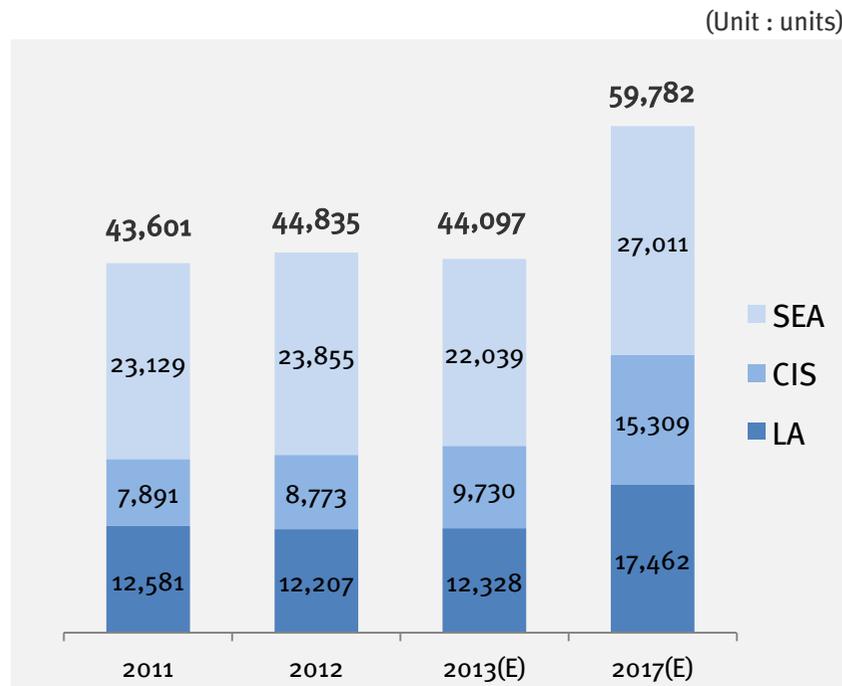
Sales and EBIT margin at DII



CE: Strengthen mid/large-sized equipment sales in emerging market

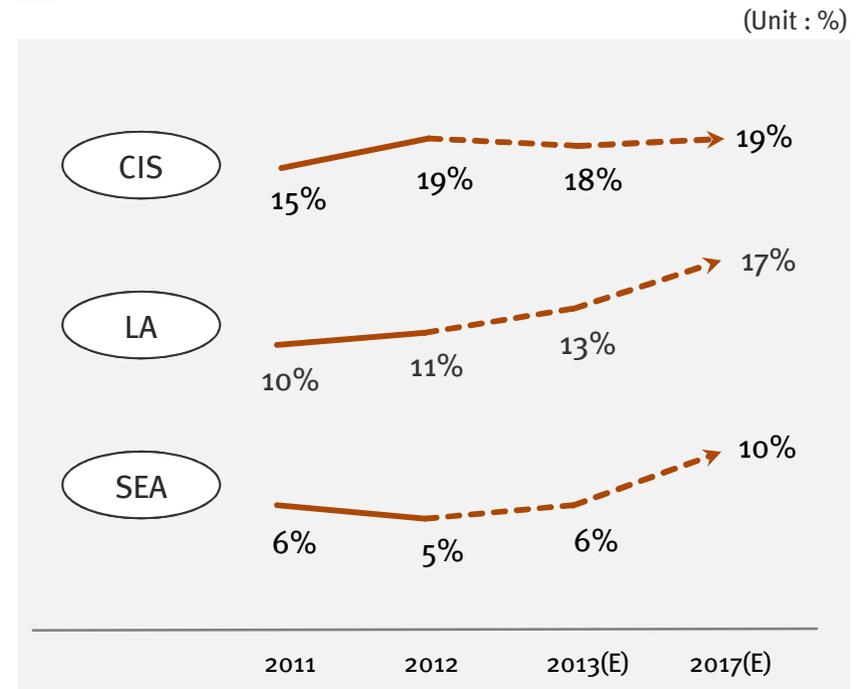
- Although growth slowed in emerging market as the global economy remained weak we plan to strategically focus on key markets with high potential growth and therefore increase sales and profits.
- Launch New products for main 4 countries that take up about 85% of mid/large-sized equipment market in SEA.
- Rise in market share and profitability through completion of production facilities in Brazil, the size of 1,500 units a year.
- Foster strong dealers for the key 4 regions in CIS.

Mid/Large-sized excavator market outlook



Source : AEM, AP/E sales

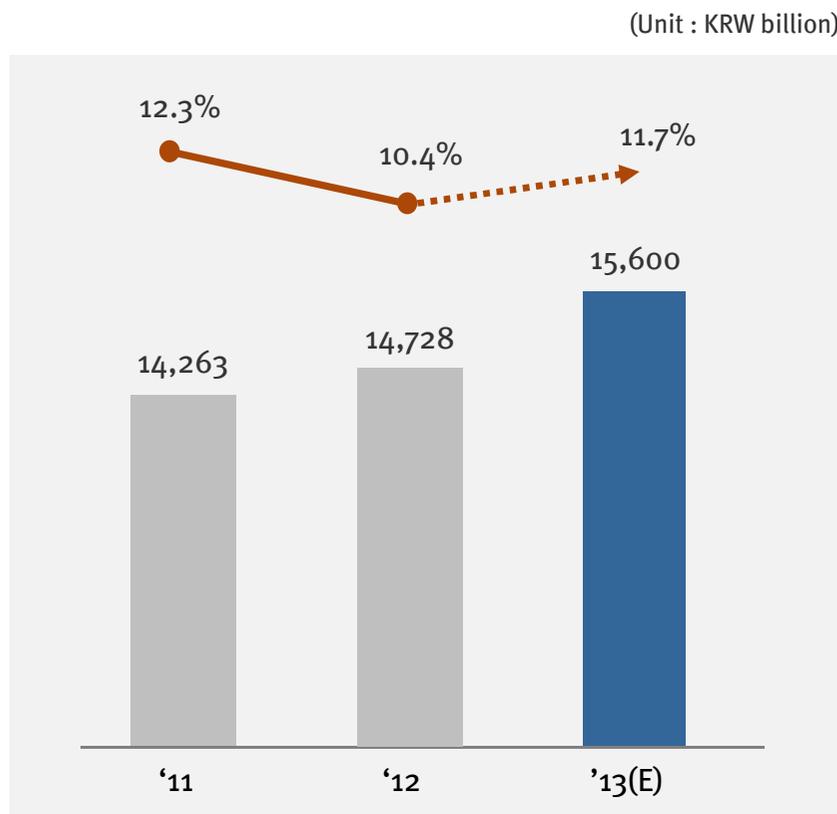
M/S outlook at EM



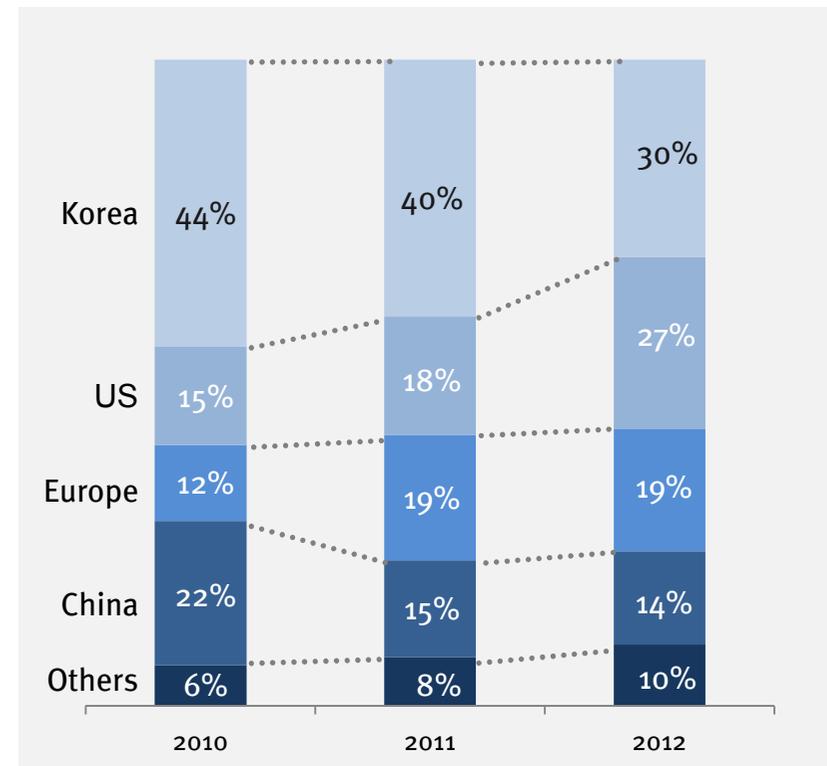
Machine Tools : Benefit from growth in US and emerging markets

- Though slow growth prospects in 1H13 due to the base effects we anticipate solid growth thanks to stable demand for high-end products in US and potential growth in emerging markets
- Countered with Yen depreciation through stronger marketing on product/customer basis and upgraded-representative products backed by cost structure

Sales and EBIT margin outlook



Sales breakdown by Region



Engines : Continued investment to strengthen future growth driver

To-be

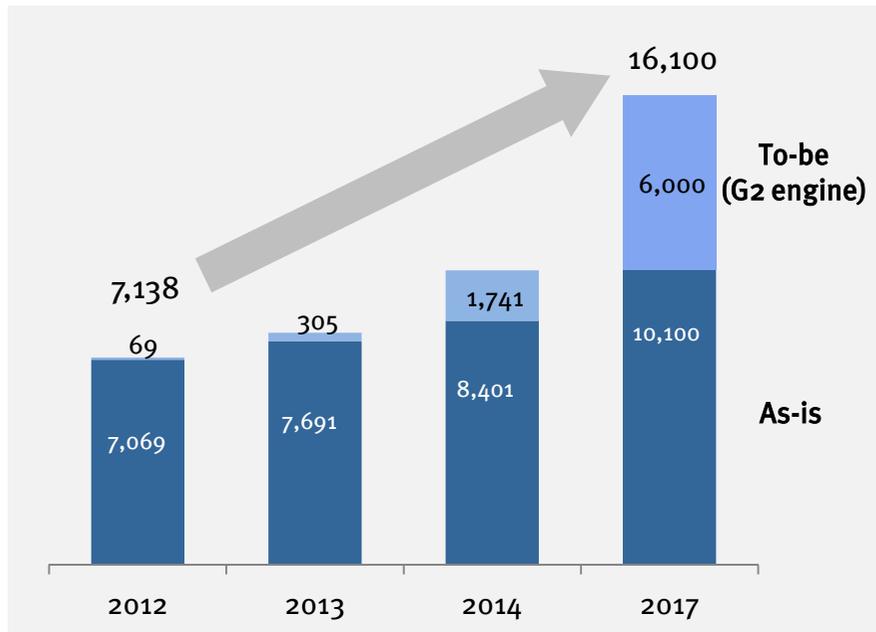
- G2 engine: Quality on par with top-tier competitors, fuel-efficiency improved with new technology
Apply the most advanced G2 engine for forklift trucks(2013) and Bobcat(2014)
Expand business opportunities for agricultural machinery and Air-compressor(2015)

As-is

- Plan to release new products well-prepared for emission control
:Tier4 final engine for North America and Europe and Tier3 engine for China
- Generator Industry: Currently domestic market share is 90% whereas overseas market share is 3.7%
Plan to increase overseas sales through enhanced quality and sales network and expanded product line-up from mid to large sized engine

Sales growth outlook of Engine BG*

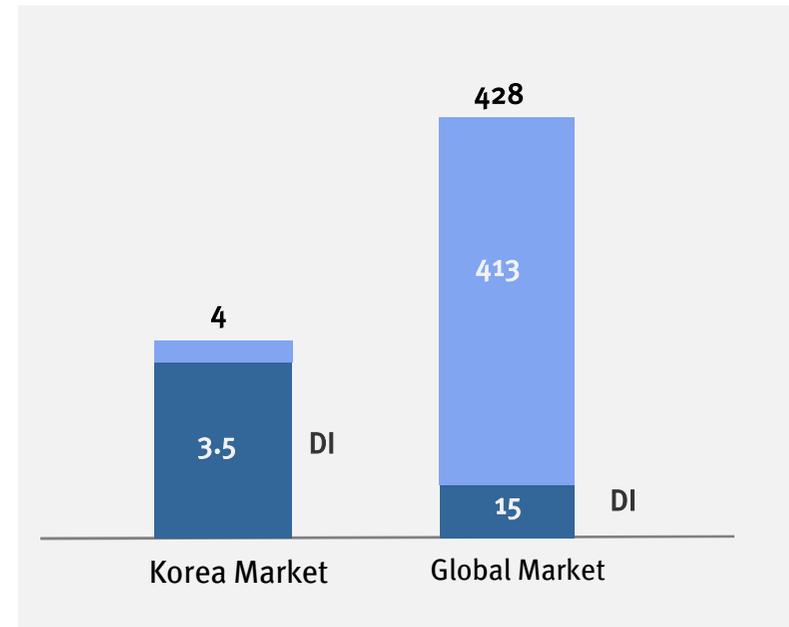
(Unit : KRW billion)



* Includes inter-division transactions

Generator engine market size

(Unit: Thousand units)



Source : Power Systems Research

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All Business Groups (1/2)

Maximization of short-term profits

- **Reduce 2% of material cost for all the business area**
 - Reducing production costs through VA/VE¹⁾ & Tear Down/Benchmarking
 - Promoting global sourcing, cost kinship²⁾, strategic partnership with vendors, localization
 - Driving Bobcat profitability (VA/VE, Global Sourcing)
- **Reduce warranty cost by upgrading quality**
 - Field Claim ³⁾ decreased 15% compared to 2012, will reduce 13% in 2013 yoy.
- **Plan for new products in 2013 & product upgrade**
 - China/Emerging : reliability & durability enhanced product plan to release(40~50-ton).
(market size : annual 25,000 unit)
 - China : performance & quality enhanced product plan to release to (7~8-ton)
(market size : annual 54,000 unit)
 - Indonesia : Plan to launch specialized product in untapped market(market size : annual 6,000 unit)
 - Machine tool BG : Among the largest volume group⁴⁾ in machine tool industry, plan to launch 2 kinds of economical products turning center
- **Reduce fixed cost & execute flexible CAPEX**

1) Value Analysis/Value Engineering, 2) Encourage vendors to participate cost reduction activity along with purchasing and R&D department,
3) The number of claims during warranty, 4) about 50% of total Turning/ machining center, 5) GT (Global Turning) series

All Business Groups (2/2)

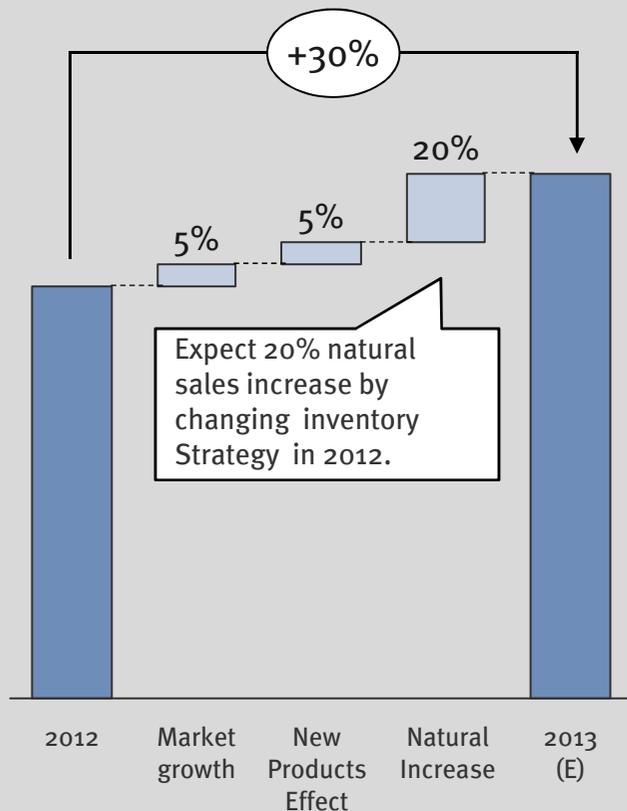
Enhancing fundamental competitiveness

- **Secure the opportunity to make a quantum leap with stronger competitive products**
 - Plan to release 19 new models for China in 2014
 - Plan to release 26 new models for North America and Europe in 2014
 - Groundbreaking improvement on quality/reliability/durability/fuel-efficiency
- **Fuel-efficiency Differentiation**
 - V Technology : Complete to verify 15% fuel-efficiency increase by testing 34/38-ton in 2012. Plan to adopt V technology in 49-ton
 - Developing fuel-efficiency as a differentiation point of DI by adopting innovative technology including V Technology (mid/long term target : increasing 35%)
- **Enhance the capability of Engineering**
 - Use top Talent : hired 800 top-tier level engineer since 2008. Create tangible results in R&D capability through top talent.
 - Enter an advanced Engineering Tool/System : PLM¹⁾, VPD²⁾, DFSS³⁾
 - Expand R&D Infra : build new R&D center in Korea & China & Proving Ground

1) Product Lifecycle Management, 2) Virtual Product Development, 3) Design For Six Sigma

Construction Equipment BG – China

Expecting 30% sales increase in '2013



Channel

- Pre-emptive dealer restructuring to control risk , to make high performer
 - '12 : completed 6 dealers
 - '13 : plan of 6 dealers
- Build business partnership with large 15 dealers
 - Support customized strategy by dealer
 - Support After-market business to increase profitability

New Product

- Small 7, 8-ton : respond to modernizing trend of farming area
- Extra-large 42, 50-ton : target high margin segment(mining) with optimized products. Durability developed.
- Electric engine : sourcing to 22-ton
- Wheel-loader 3, 5-ton : economic model on short wheel base, internalization of key parts(Transmission, Axle)

Marketing Activity

- Activate large segment product demo program to increase sales
 - Demo product in large segment :DX380LC, DX480LC, DX500LC/G
- Support Trade-in sales activity to the Dealer
 - Support used car maintenance, extension payment period,
 - enhance appraisal/ resale /remanufacturing capability
- Plan to take a special policy for key markets of mini/small segment

Talent Management

- Appoint native experts in Key Post : Wheel loader Head, sales/marketing head
- Manage the flexible Human Resource to align with business size

Construction Equipment BG – Emerging markets

Market Opportunities

- Anticipate relatively solid growth than other regions
- Notably , Russia/ CIS continues to grow along with the preparation for sports events such as
- Expect to increase in infrastructural investment in Middle East through economic recovery

Market-tailored Product & Service

- Russia / CIS
 - Launch large segment products (42-ton or above)
- Indonesia
 - Launch specialized product in untapped market (market size : annual 6,000 unit)
- Southeast Asia / Latin America
 - Launch optimized heavy duty product in mining(50,70-ton)
- Enhancing service & parts supports for emerging market
 - Build PDC by stage (2012 Singapore, Brazil, 2013 Dubai)

Channel & Marketing Activities

- Russia / CIS
 - Improve dealer coverage(Far East & South)
 - Enhance dealer capability in 4 key market ¹⁾
 - Operate BWT in Almarty for CIS
- Southeast Asia
 - Improve dealer coverage in Indonesia & Malaysia
 - Increase brand awareness through Demo program
- Brazil
 - Pursue Govn't bidding opportunities & FINAME²⁾ Customers
 - Manage mining/construction key clients

1) Azerbaijan, Kazak, Turkmenistan, Georgia 2) FINAME is a construction equipment financing program in Brazil. When purchasing a FINAME registered product, customers can take advantage of low interest rate financing

Machine tool & Engine BG

Machine Tool

- **Stronger proactive competitiveness on main products**
 - Top line growth
 - Strengthen product line-up on mid/small economical- product (Launch 6 new product in 2014)
 - Expand business opportunities for high-end segment
 - Upgrade high-profit products such as energy and aerospace
 - Expansion of production facilities on mid/large products (Plan to complete Seongju plant in Aug 2013)
- **Intensify the customer relationship marketing in China with highest growth potential**
 - Plan to launch 8 new products for Auto and IT industries in 2013
 - Strengthen the dealer quality and increase the level of parts inventory with completion of AM facilities in Shanghai at end-2012

Engine

- **Strengthen existing businesses**
 - Continued growth in sales and profitability through solid growth in high-end products
 - Improve profitability via enhanced quality of generator engine output by 15%~20%
 - : Plan to release 2H13 and anticipate about KRW 340 bil of sales and expect to contribute to Improve profitability by 20%
 - Increase CNG engine sales for Big Account as volume driver
 - : Plan to supply PSI(US) with 4,400 units by 2015
- **G2 engine**
 - Initiated to mass-produce in Oct 2012
 - Apply G2 engine for forklift trucks(2013) and Bobcat(2014)
 - Expand business opportunities for agricultural machinery and Air-compressor(2015)