



Doosan Infracore

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# 2014 1Q Investor Meeting

Apr 2014



# Disclaimer

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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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**1** **1Q14 Results**

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# 1Q14 results \*

- Even without meaningful improvement in business environment, sales increased slightly YoY thanks to favorable results in key regions such as China
- EBIT improved substantially YoY in spite of slight increase in sales thanks to 1) improved regional/product mix 2) Engine division turnaround 3) restructuring and continued improvement in cost structure
- Net profit turned to black thanks to increase in EBIT and reduction in interest expenses followed by GDR issuance

## Results

(Unit : KRW billion)

	1Q13	2Q13	3Q13	4Q13	1Q14	YoY	QoQ
Sales	1,789.3	2,181.6	1,879.5	1,886.5	1,808.8	1.1%	-4.1%
EBIT**	57.2	121.2	103.0	88.2	98.9	72.9%	12.1%
EBIT margin (%)	3.2%	5.6%	5.5%	4.7%	5.5%	+2.3%p	+0.8%p
(Net Financial Cost)	73.1	73.3	74.5	72.1	69.9	-4.4%	-3.1%
(F/X gains/losses)	-27.8	-18.2	35.8	25.1	-5.3	Reduced loss	TR
Net Profit	-77.0	-19.4	20.8	-25.4	1.8	TB	TB

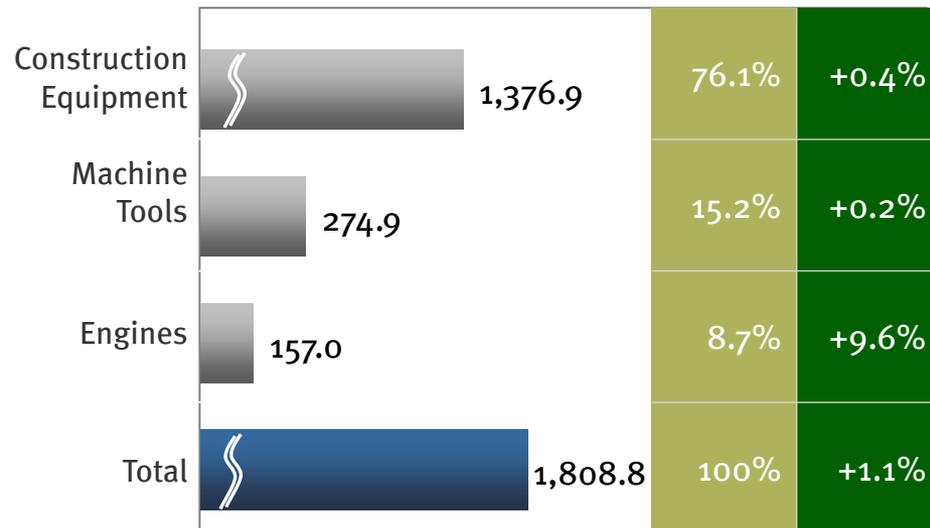
\* Figures are based on consolidated K-IFRS

# 1Q14 divisional sales & EBIT \*

- In spite of small increase in sales EBIT for Construction equipment and Machine tools divisions improved significantly because,
  - CE: improvement in regional/product mix and enhanced cost structure such as restructuring programs in 2013
  - MT: improvement in profitability backed by cost savings in Yen-related material
- Sales in Engine division increased YoY due to sales growth of generator in domestic/advanced market, and EBIT turned to black on the back of sales increase as well as a beginning of mass production of G2 engine

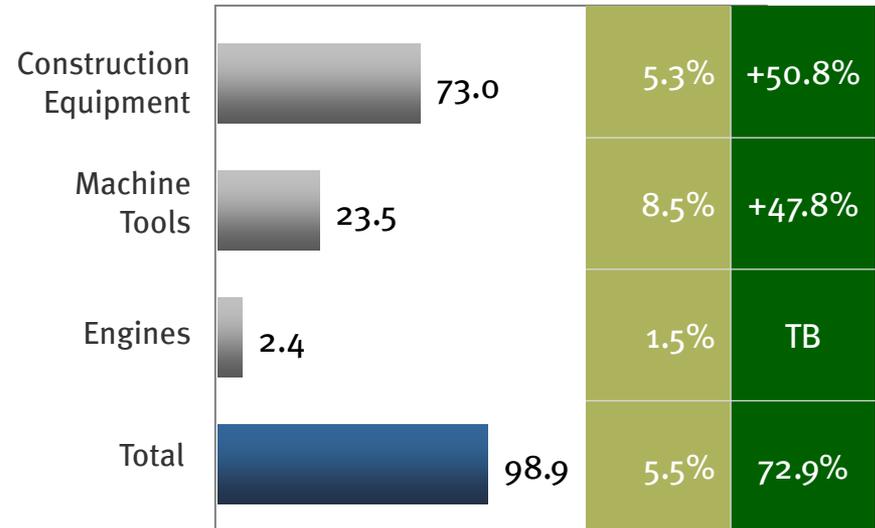
## Sales

(Unit : KRW billion)  
% of sales YoY



## EBIT & Margin

(Unit : KRW billion)  
EBIT margin YoY

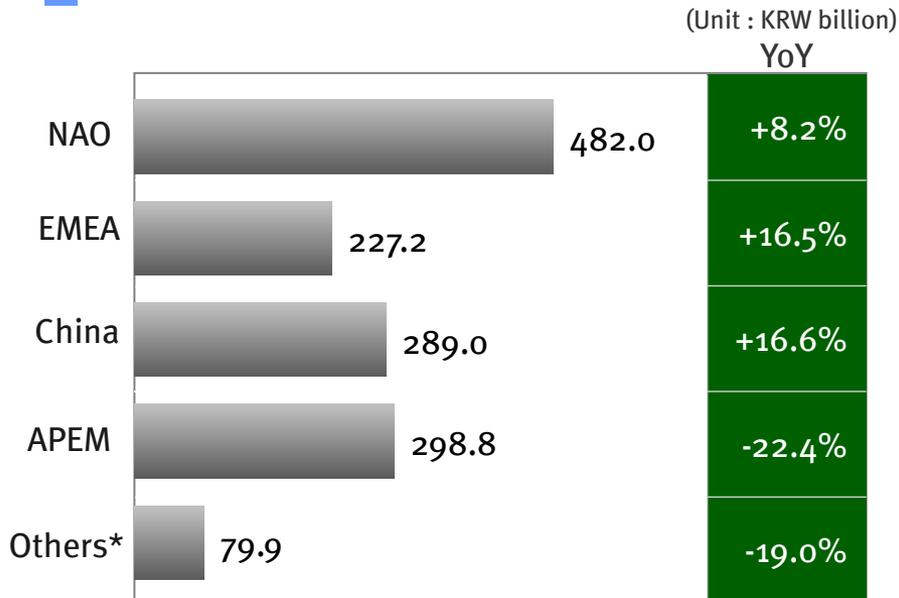


\* Figures are based on consolidated K-IFRS

# 1Q14 construction equipment BG details \*\*

- All regions except for APEM showed positive growth YoY
- Although possible temporary slowdown in demand due to adopting new emission regulations(T4F) was concern, sales and EBIT at DII increased YoY

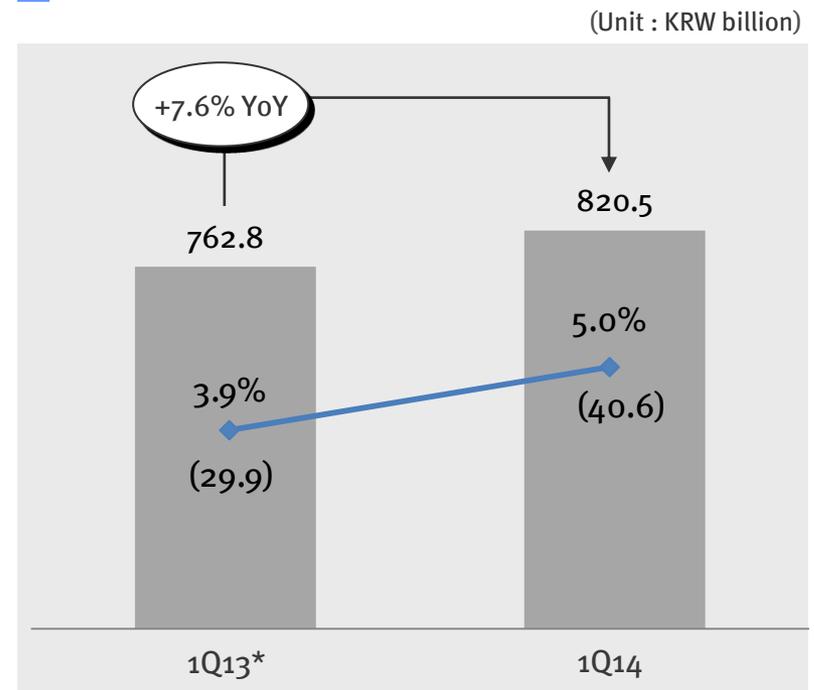
## 1Q14 CE Regional Breakdown



\* Others include sales from DIPP, ADT and Headquarter

\*\* Figures are based on consolidated K-IFRS

## DII's 1Q14 Sales and EBIT



\* Net impact of Territory Transfer (- MEA Heavy / +CIS Compact) for 1Q13:  
-59.4 KRW billion for sales, -4.1 KRW billion for EBIT

# Financial structure \*

- Total Assets and Liabilities increased by KRW 614.2 and 607.7 billion respectively due to increase in working capital for the peak season in the second quarter

## Balance Sheet

(Unit : KRW billion)

	2012	2013	1Q14	YoY(amount)
Current Assets	3,862.0	3,706.2	4,276.2	+570.0
Fixed Assets	7,683.0	7,775.3	7,819.5	+44.2
<b>Total Assets</b>	<b>11,545.0</b>	<b>11,481.5</b>	<b>12,095.7</b>	<b>+614.2</b>
<b>Total Liabilities</b>	<b>8,536.2</b>	<b>7,932.5</b>	<b>8,540.2</b>	<b>+607.7</b>
- Net Debt	5,504.9	4,908.8	5,024.6	+115.8
Total Shareholders' Equity	3,008.8	3,549.0	3,555.5	+6.5
<b>Liabilities/Equity Ratio</b>	<b>283.7%</b>	<b>223.5%</b>	<b>240.2%</b>	<b>+16.7%p</b>

\* Figures are based on consolidated K-IFRS

# Business segment information

## • DII quarterly results and M/S trend

(Unit : KRW billion)

	1Q13	2Q13	3Q13	4Q13	1Q14
Sales	762.8	966.0	914.4	879.9	820.5
EBIT	29.9	72.3	80.6	96.7	40.6
EBIT margin (%)	3.9%	7.5%	8.8%	11.0%	5.0%

## • DI's monthly sales unit and M/S in China

(Unit : unit, %)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2013	Market	4,324	5,521	20,784	15,467	10,834	7,715	5,725	5,706	6,384	6,929	7,569	7,909	104,867
	DI	<b>321</b>	<b>460</b>	<b>1,691</b>	<b>1,328</b>	<b>838</b>	<b>540</b>	<b>485</b>	<b>436</b>	<b>482</b>	<b>513</b>	<b>570</b>	<b>554</b>	<b>8,218</b>
	M/S	7.4%	8.3%	8.1%	8.6%	7.7%	7.0%	8.5%	7.6%	7.6%	7.4%	7.5%	7.0%	7.8%
2014	Market	4,096	9,017	19,277										32,390
	DI	<b>358</b>	<b>839</b>	<b>1,803</b>										<b>3,000</b>
	M/S	8.7%	9.3%	9.4%										9.3%

## • Machine Tools BG New order trend

(Unit : unit)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	852	892	1,078	1,029	1,063	905	845	871	850	860	892	960
2014	<b>873</b>	<b>1,054</b>	<b>1,233</b>									

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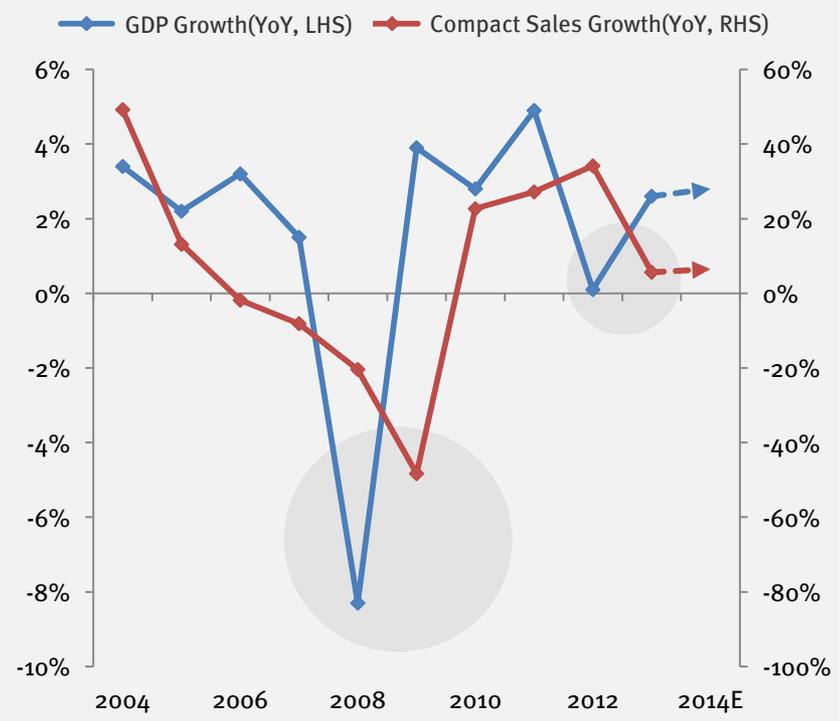
**3** **Highlights – Outperformance in China**

# Q1. T4F application effect to US market and DII

- Although temporary decline in demand due to newly adopting T4F Emission regulation was expected, favorable economic condition should limit its downside risk
- Not only did we continuously expand high value-added product such as CTL/MEX , but also increased sales in heavy products

## US GDP and Compact CE sales growth

(Unit: %)

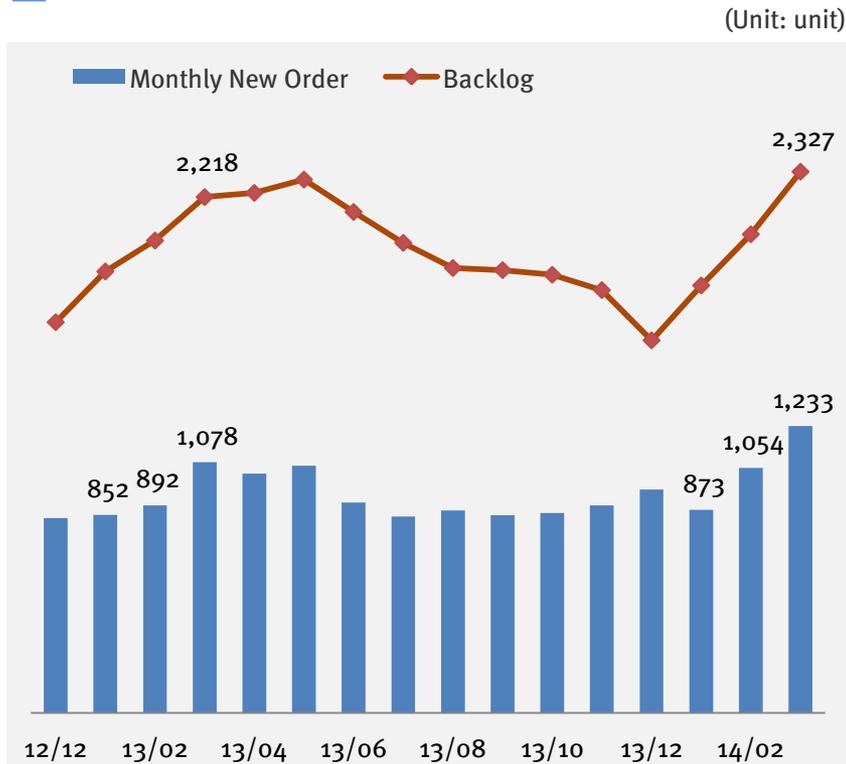


Source : Bloomberg, company data

## Q2. Recent new order trend in MT division and plan for maintaining sustainable profitability

- Order backlog increased due to expanded new order flow from domestic/Europe/China, therefore favorable 2Q result is expected
- Continuously strive for profitability improvement through sales of cost enhanced models(G-series)

### Monthly new order and backlog trend



### Recent business environment and outlook

#### Korea

- Anticipate uptrend thanks to Automotive/IT industry export growth
- Expect promotion effects from participating in SIMTOS\*

#### China

- Oil & Gas industry is in favorable condition although investment momentum is weakening
- Given the market potential, we will continuously promote strengthening sales channels

#### Europe

- Investment growth trend from manufacturing industry should continue along with a sign of recovery in economic indicators

#### US

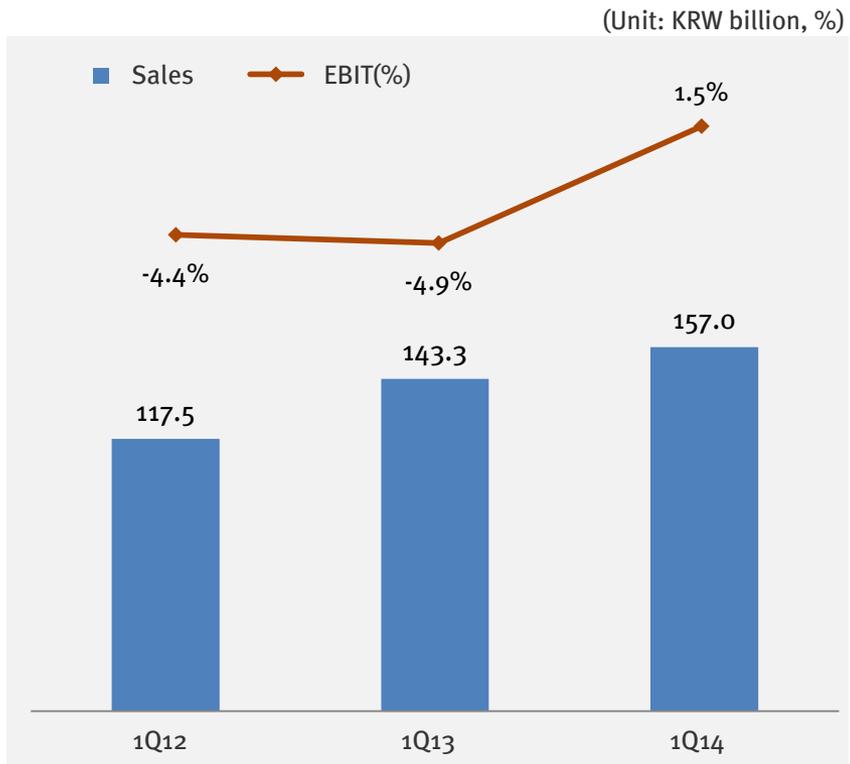
- Temporarily slowed due to Automotive industry weakening and severe weather at the beginning of the year
- Expect 5% growth in North American area

\* SIMTOS: Seoul International Manufacturing Technology Show

# Q3. Drives for Engine division turnaround and initiatives for G2 engine supply to Bobcat

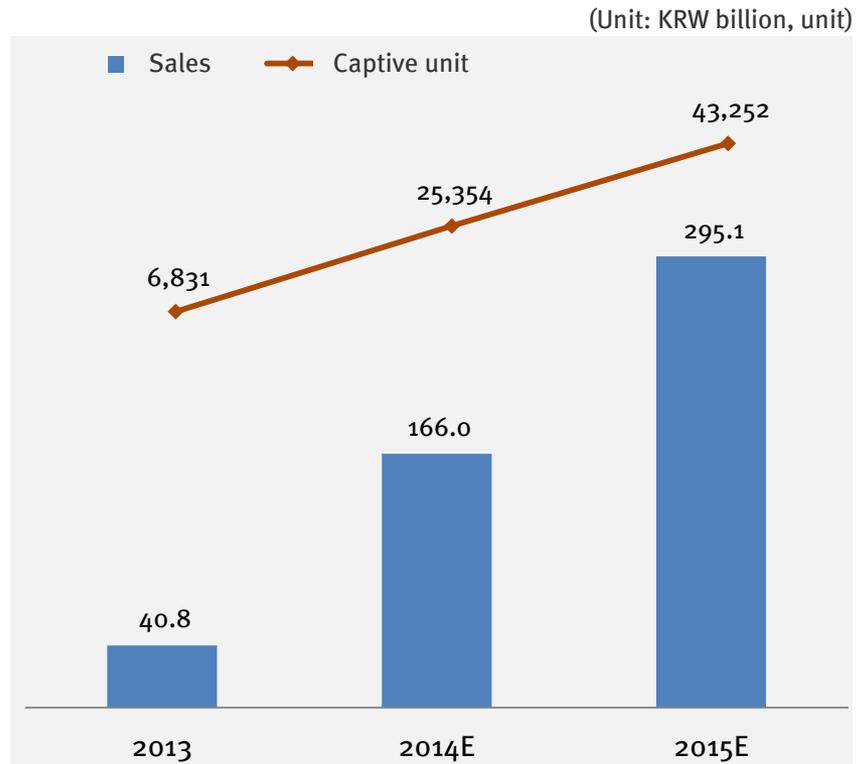
- EBIT turned to black followed by increase in generators sales and a beginning of mass production of G2 engine
- We began shipment to Bobcat from 4Q13, and plan to sequentially replace T4F order with G2 engine

Sales\* and EBIT trend of Engine BG



\* Exclude Inter-company sales

G2 engine's captive unit and sales\* forecast



\* Inter-company sales

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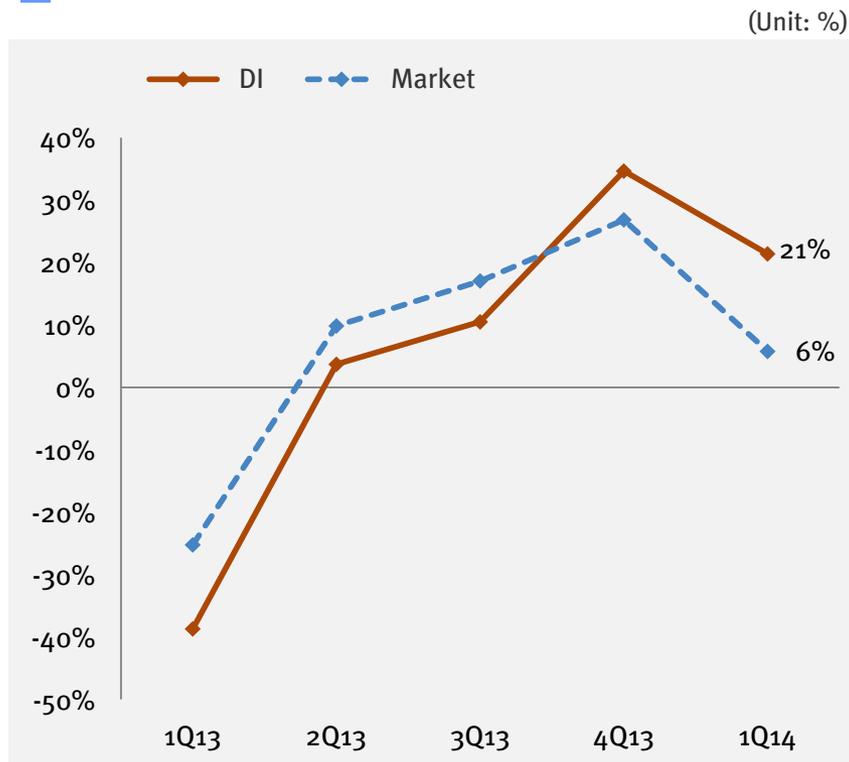
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# Updates on China excavator market and DI's performance

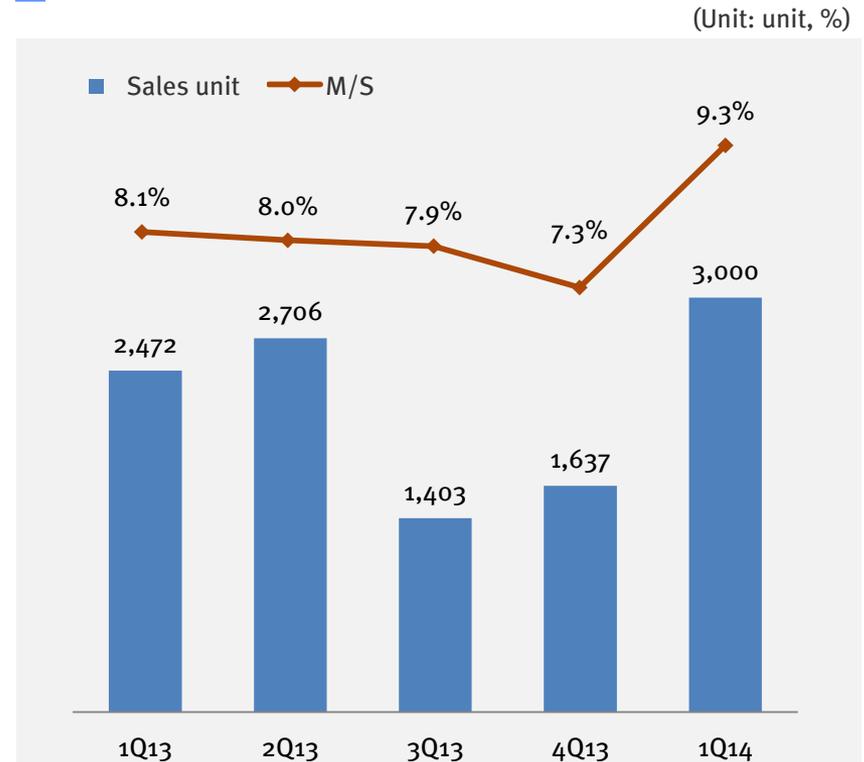
- Continuously outperform the market since 4Q13 and gained M/S in 1Q14

## Quarterly sales growth trend(YoY)



Source: CCMA

## Quarterly sales and M/S trend

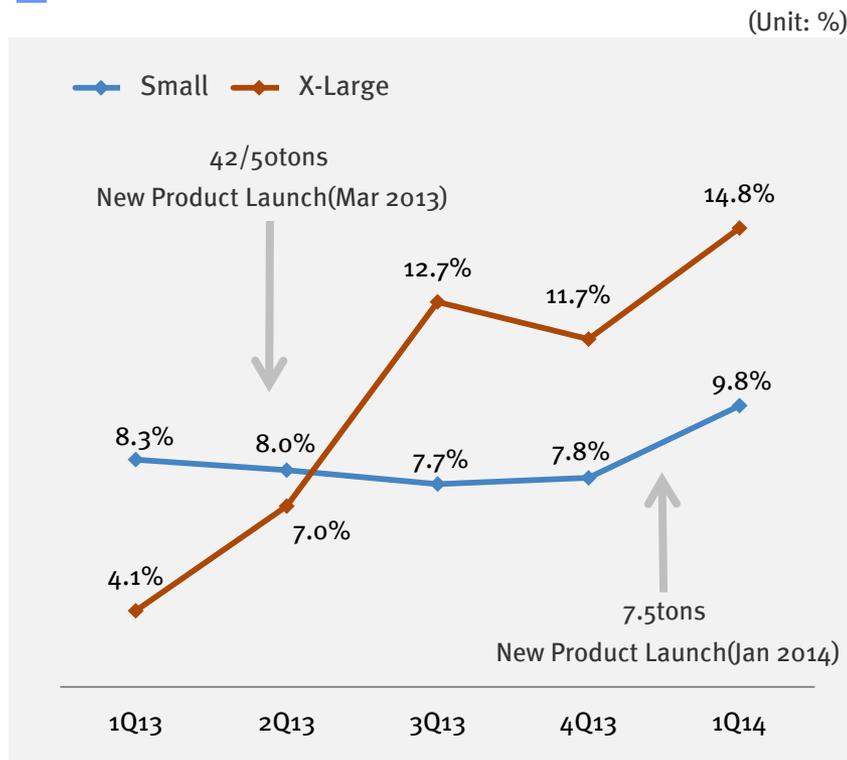


Source: CCMA

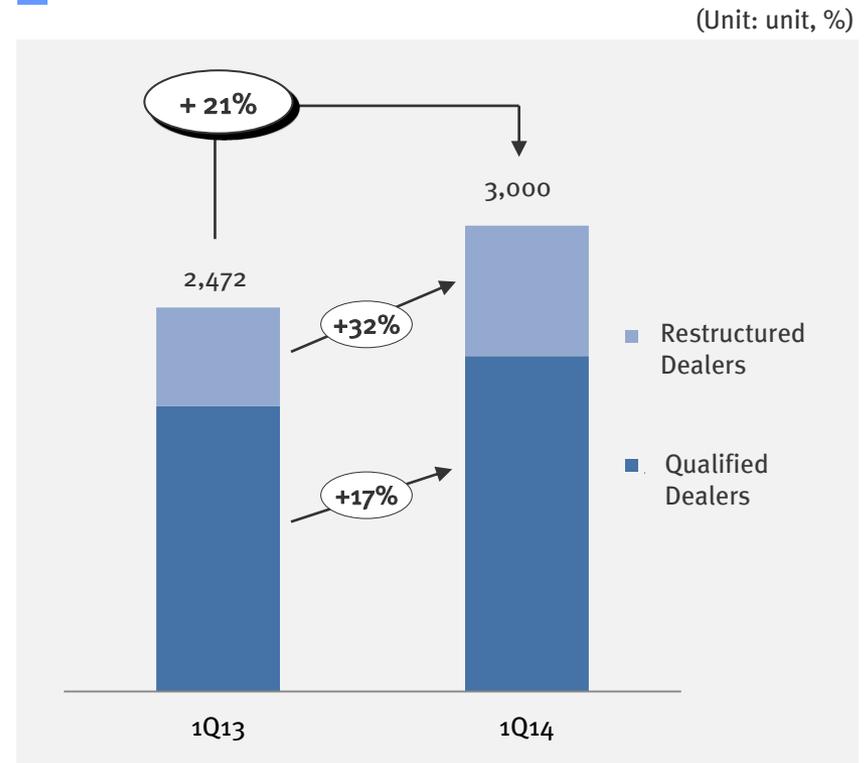
# Drives for the outperformance

- Gained M/S on small and extra-large segments on the back of new products launch
- Recovered sales capabilities through improved channel and sales management system(Sales funnel\*)

## Small/X-Large seg. M/S trend



## Growth of Dealer's sales capabilities



\*Sales Funnel

: It is to enhance efficiency between DI and dealers, including improvement in dealers' participate rate as well as rate of success by implementing sales management system that controls a whole sales process