



Doosan Infracore

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# 2015 1Q Investor Meeting

Apr 2015



# 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.

While the statements in this presentation represent our current assumptions plans and expectations and we believe these judgments are reasonable they are not guarantees of future performance and involve known and unknown risks uncertainties such as FX & raw material costs and other factors that may cause actual results to differ materially from the results performance achievements or financial position expressed or implied in this presentation.

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**Highlights – Long Term growth potential**

# 1Q15 results \*

- Despite weakness in China, sales increased slightly YoY thanks to favorable performance in NAO and MT division
- EBIT fell YoY, but improved when excluding restructuring costs
- Net income decreased YoY due to F/X losses by weakening of the Euro

## Results

(Unit : KRW billion)

	1Q14	2Q14	3Q14	4Q14	1Q15	YoY	QoQ
Sales	1,808.8	2,113.3	1,791.0	1,975.5	1,833.7	1.4%	-7.2%
EBIT	98.9	145.5	100.4	108.3	75.5	-23.7%	-30.3%
EBIT margin (%)	5.5%	6.9%	5.6%	5.5%	4.1%	-1.4%p	-1.4%p
(Net Financial Cost)	69.9	66.8	67.1	67.7	66.9	-4.3%	-1.2%
(F/X gains/losses)	-5.3	9.4	-24.1	-20.6	-42.6	RR	RR
Net Profit	1.8	79.2	24.6	-81.6	-43.9	TR	RR

\* Figures in this presentation, unless otherwise noted, are based on consolidated K-IFRS

# 1Q15 divisional sales & EBIT

- Although sales in CE and MT division increased EBIT fell due to restructuring costs
  - CE: Sales in NAO improved enough to offset decline in sales in China
  - MT: Sales increased in most of the regions except for EM
- Engine: In spite of restructuring costs, EBIT improved on the back of a continued increase in sales volume of generator engines as well as G2 Engine shipment to Bobcat

## Sales

(Unit : KRW billion)  
% of sales YoY

Division	Sales (KRW billion)	% of sales	YoY
Construction Equipment	1,379.7	75.2%	+0.2%
Machine Tools	303.9	16.6%	+10.6%
Engines	150.1	8.2%	-4.4%
<b>Total</b>	<b>1,833.7</b>	<b>100%</b>	<b>+1.4%</b>

## EBIT & Margin

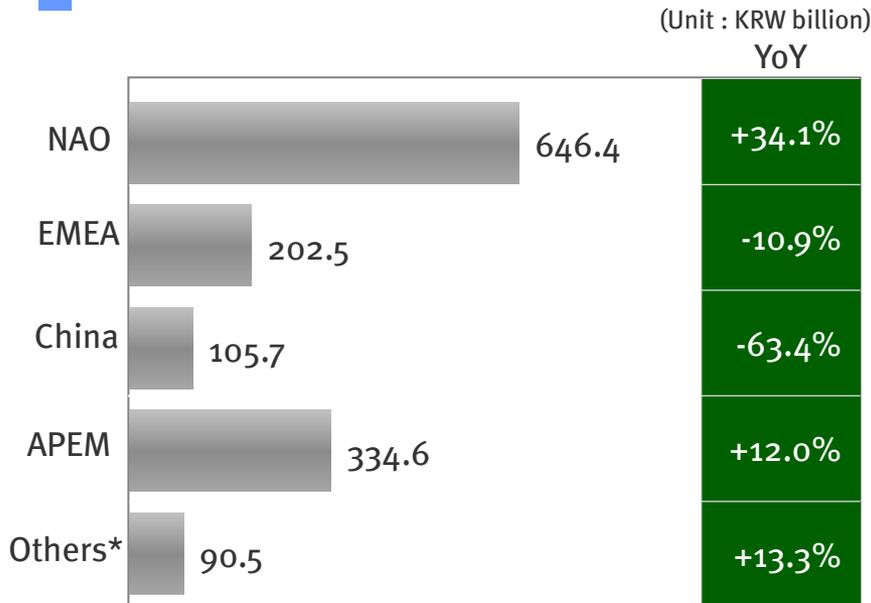
(Unit : KRW billion)  
EBIT margin YoY

Division	EBIT (KRW billion)	EBIT margin	YoY
Construction Equipment	48.8	3.5%	-33.1%
Machine Tools	22.5	7.4%	-4.1%
Engines	4.2	2.8%	+73.9%
<b>Total</b>	<b>75.2</b>	<b>4.1%</b>	<b>-23.7%</b>

# 1Q15 construction equipment BG details

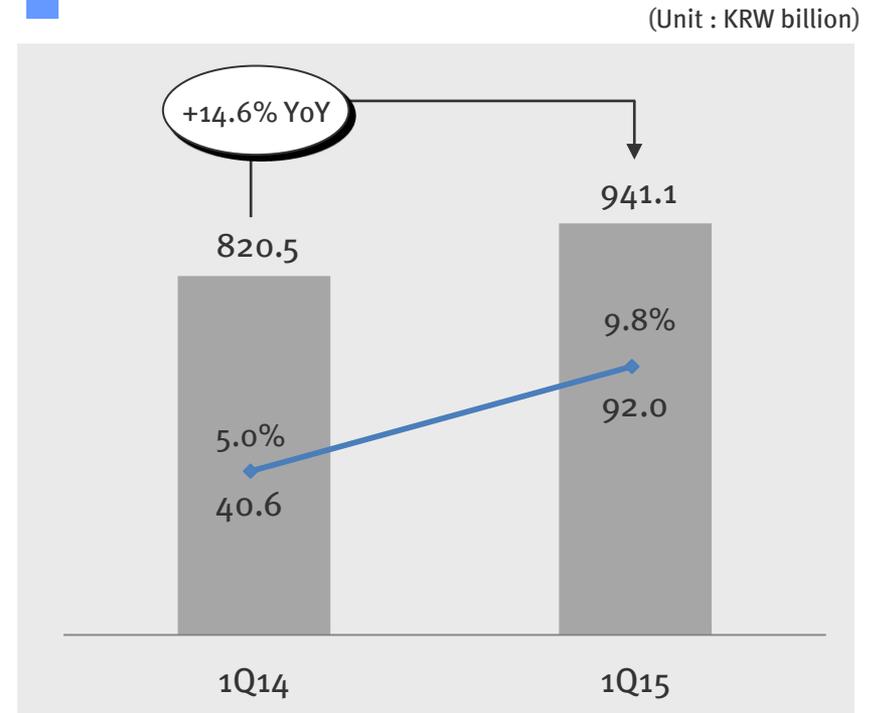
- NAO: Sales and EBIT improved significantly as the impact of T4F is normalized
- EMEA: Although sales volume increased, weakening of the Euro resulted in fewer revenue
- China: Sales declined due to a continued downturn in the market and delayed selling season compared to last year
- APEM: Despite no market recoveries, sales improved thanks to sales volume increased in Korea as well as gaining market share by expanding coverage in EM

## CE regional breakdown



\* Others include sales from DIPP, ADT and Headquarter

## DIBH's sales and EBIT



# Financial structure

- Liabilities-to-Equity ratio rose due to changes in F/X rate(Euro depreciation etc.) while AP increased before the peak season

## Balance Sheet

	2013	2014	1Q15	(Unit : KRW billion) QoQ(amount)
Current Assets	3,706.2	4,331.3	4,201.7	+182.2
Fixed Assets	7,775.3	7,689.2	7,619.5	-318.4
<b>Total Assets</b>	<b>11,481.5</b>	<b>12,020.5</b>	<b>11,821.1</b>	<b>-136.3</b>
<b>Total Liabilities</b>	<b>7,932.5</b>	<b>8,565.4</b>	<b>8,812.7</b>	<b>+143.6</b>
- Net Debt	4,908.8	5,116.1	5,327.2	+102.9
Total Shareholders' Equity	3,549.0	3,455.2	3,008.4	-279.9
<b>Liabilities/Equity Ratio</b>	<b>223.5%</b>	<b>247.9%</b>	<b>292.9%</b>	<b>+29.3%p</b>

# Business segment information

## • DIBH's quarterly results

(Unit : KRW billion)

	1Q14	2Q14	3Q14	4Q14	1Q15
Sales	820.5	1,013.7	908.9	995.7	941.1
EBIT	40.6	86.4	74.4	118.9	92.0
EBIT margin	5.0%	8.5%	8.2%	11.9%	9.8%

## • China monthly unit sales and M/S

(Unit : unit)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	Market	4,096	9,017	19,277	12,471	7,392	5,752	4,209	4,000	4,137	4,499	4,668	4,910	84,428
	DI	358	839	1,803	1,002	577	398	270	216	259	316	355	512	6,905
	M/S	8.7%	9.3%	9.4%	8.0%	7.8%	6.9%	6.4%	5.4%	6.3%	7.0%	7.6%	10.4%	8.2%
2015	Market	3,160	2,262	11,070										16,492
	DI	179	150	828										1,157
	M/S	5.7%	6.6%	7.5%										7.0%

## • Machine Tools division New order

(Unit : unit)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	873	1,054	1,233	1,197	1,254	917	879	793	852	920	978	964
2015	914	991	1,092									

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**Highlights – Long Term growth potential**

# Enhanced cost structure by restructuring activities

- Most of the restructuring which took place for last 3 years have completed; related cost savings are expected from 2Q15

## Restructuring activities and Impacts

2012  
~  
2013

- Suzhou plant shift into logistics center
- Labor cost saving effects
  - China, Europe, Others : app. 24.0 KRW billion

2014

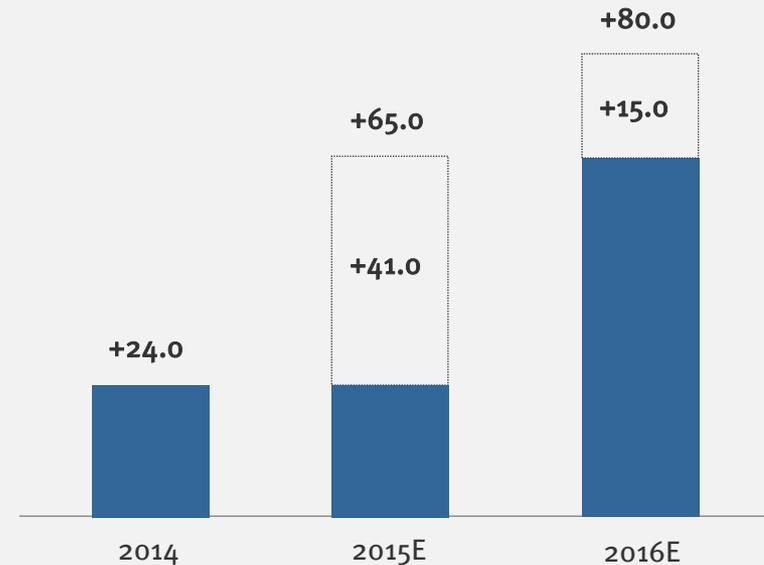
- Europe Heavy plant shut down
- Labor cost saving effects
  - Europe: app. 30.0 KRW billion

2015 1Q

- Labor cost saving effects
  - Korea: app. 22.0 KRW billion

## EBIT Improvement due to restructuring activities

(Unit : KRW billion)



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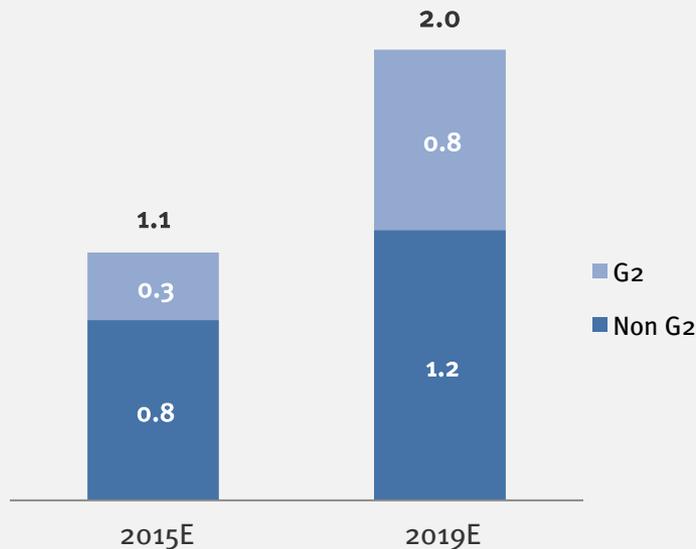
**3** Highlights – Long Term growth potential

# Engine division

- We expect that Engine division should reach around 2.0 KRW trillion of sales by 2019 on the back of ① external sales of G2 engine ② growth from generator engines through JV with PSI
- In addition to LRP, as we completed developing full-ranged of engines from small to large-sized, we plan to enter new markets such as ① Small-sized Commercial Vehicle engine ② Tanks engine ③ Generator engine

## The LRP of Engine division

(Unit : KRW trillion)



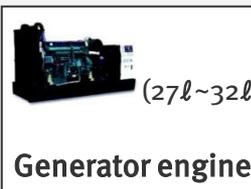
## Potential opportunities and market size



- est. market size of KRW9.3tril (3.1 mil of CVs)
- Key markets
  - China: KRW3.0tril
  - EU: KRW2.4tril



- est. Market size of KRW2.0tril

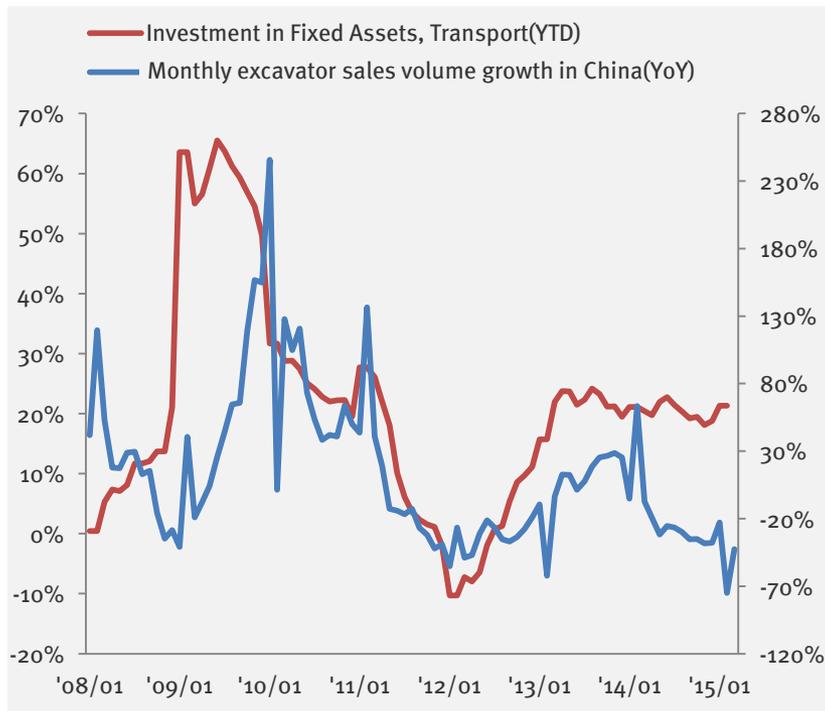


- est. Market size of KRW1.0tril (10 thou. units)
- Key markets
  - China: KRWo.4tril
  - EU: KRWo.3tril

# China

- The “Silk Road Economic Belt” and “21<sup>st</sup> Century Maritime Silk Road” known as “One Belt, One Road” initiatives are expected to rejuvenate demand for Fixed Asset Investment on the back of establishment of the Asian Infrastructure Investment Bank (AIIB)

## FAI and excavator sales volume growth in China



\* Source: National Bureau of Statistics of China, CCMA

## “One Belt, One Road” initiatives

Meaning	The plan is to construct “One Asia Economic Community” which involves establishing two big foreign trade routes. One stretches overland from China through Central Asia and on to Europe, and the other route is a maritime trade link connecting Chinese ports with coastal trading hubs in Africa and the Middle East.
Investment Plan	est. amount of infrastructure investment : KRW185tril (RMB1.04tril) JV investment of approximately KRW58tril(\$52.4bil) est. yearly investment of KRW50~70tril (RMB0.3~0.4tril)
Railway Construction	The core is railway construction which runs to 10,000km and the est. amount of investment should be KRW18tril(RMB0.1tril)

\* Source: China local media reports