



Doosan Infracore

DOOSAN INFRACORE

# 2010 2Q Investor Meeting

July 2010



# Disclaimer

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## **Doosan Infracore**

— 2Q10 Results

— 2Q10 Highlights

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## **Revision of DI's 2010 outlook**

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## **Doosan Infracore International**

— 2Q10 Results

— 2Q10 Highlights

# 2Q10 results

- Sales and EBIT surged by 79% YoY and 284% YoY thanks to strong demand from China and emerging markets.
- Pretax profit improved 100% YoY in light of 1) remarkable improvement in EBIT and 2) reduced equity method losses as a result of better results at overseas affiliates.

## Results

(Unit : KRW billion)

	2Q09	3Q09	4Q09	1Q10	2Q10	QoQ	YoY
Sales	626.1	653.6	731.9	933.4	<b>1,120.2</b>	20.0%	<b>78.9%</b>
EBIT	36.2	63.8	80.4	105.2	<b>139.0</b>	32.1%	<b>284.4%</b>
EBIT margin (%)	5.8%	9.8%	11.0%	11.3%	<b>12.4%</b>	1.1%p	<b>6.6%p</b>
EBITDA	53.7	78.9	98.4	127.4	<b>161.1</b>	26.5%	<b>200.0%</b>
(Financial Cost)	37.4	38.4	39.4	39.1	<b>37.9</b>	-3.1%	<b>1.3%</b>
(Equity method)	-56.1	-80.9	-78.7	-42.2	<b>-13.2</b>	-	-
Pretax profit	141.8	-193.4	-81.9	20.4	<b>40.9</b>	100.4%	<b>-71.1%</b>

# 2Q10 divisional sales & EBIT

- Result from the construction equipment division grew significantly thanks to greater sales contribution from profitable markets such as China and Korea.
- EBIT of the machine tools division turned black for the first time in six quarters due to solid demand from Korea and China.

## Sales

(Unit : KRW billion)

		QoQ	YoY
Construction Equipment	630.0	+16.3%	+126.2%
Machine Tools	221.1	+45.3%	+105.6%
Engines	93.0	-9.0%	-10.8%
Others	176.1	+28.3%	+29.5%
<b>Total</b>	<b>1,120.2</b>	<b>+20.0%</b>	<b>+78.9%</b>

## EBIT

(Unit : KRW billion)

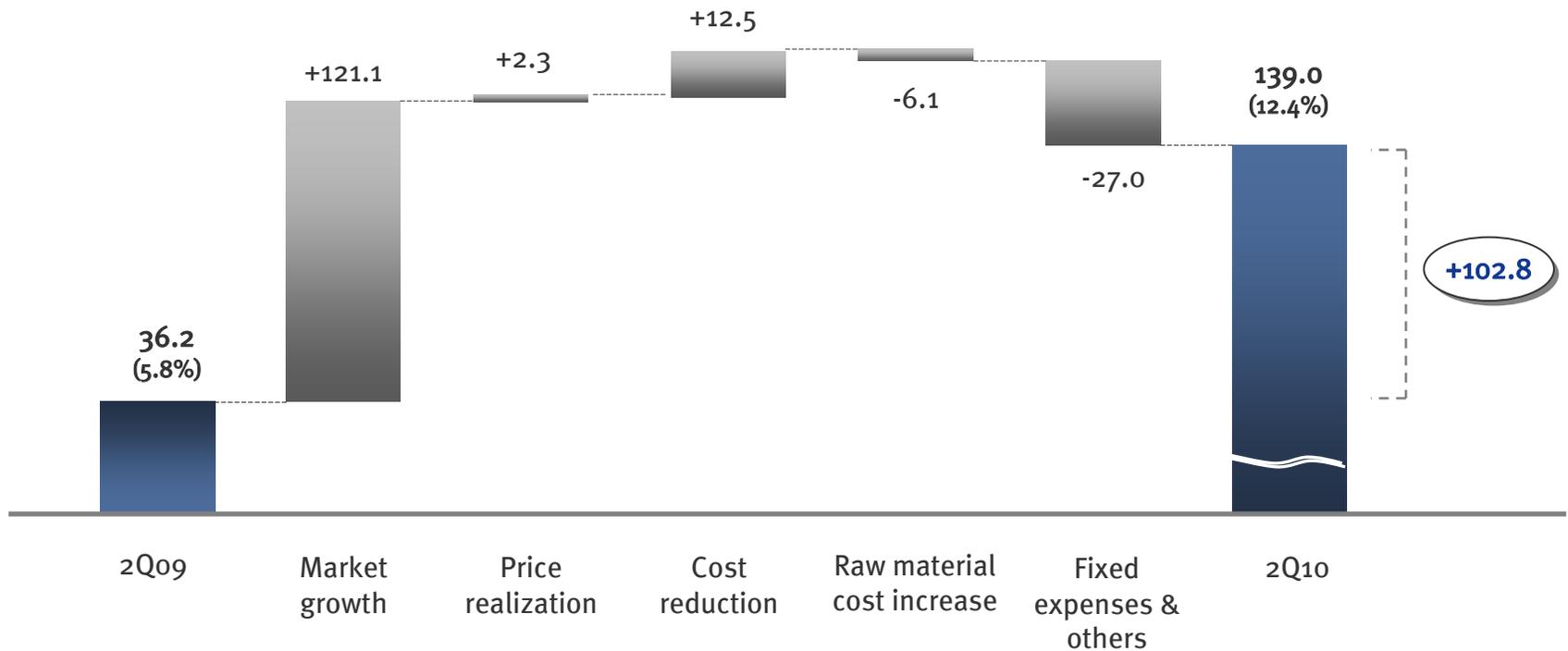
		QoQ	YoY
Construction Equipment	116.7 (18.5%)	+21.4%	+390.0%
Machine Tools	10.6 (4.8%)	TB	TB
Engines	5.9 (6.3%)	3.9%	-45.6%
Others	5.8 (3.3%)	-31.9%	-43.0%
<b>Total</b>	<b>139.0 (12.4%)</b>	<b>+32.1%</b>	<b>+284.4%</b>

# 2Q10 EBIT analysis

- EBIT improved by KRW102.8bn YoY thanks to market growth and cost reduction efforts.
- EBIT margin reached 12.4% due to growth of profitable markets such as China and Korea and cost reduction efforts.

## YoY comparison

(Unit : KRW billion)



# 2Q10 financials

- Financial structure improved as the company took proactive measures such as reducing its debt by KRW187.1bn during 1H10.

## Financials

(Unit : KRW billion)

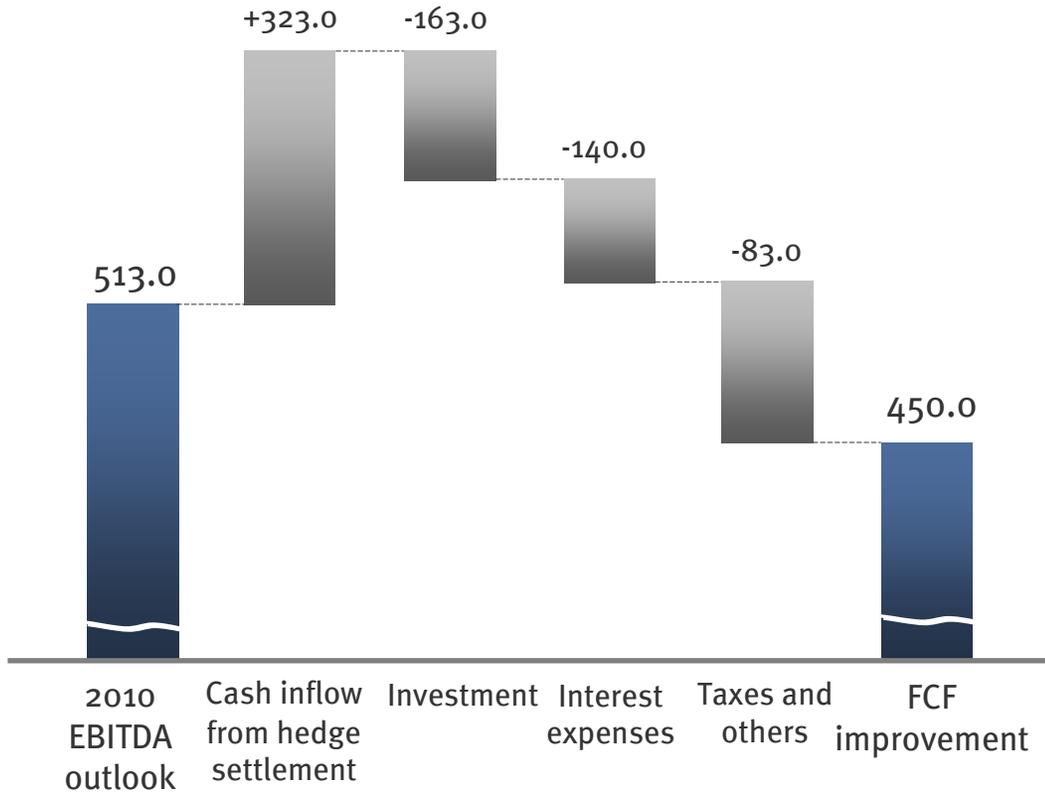
	2008	2009	1Q10	2Q10	QoQ	Relative to end-2009
Current Assets	1,995.8	1,528.7	1,671.9	1,725.2	+53.3	+196.5
Fixed Assets	2,929.8	3,249.9	3,093.0	3,081.4	-11.6	-168.5
Total Assets	4,925.6	4,778.6	4,764.9	4,806.6	+41.7	+28.0
Total Liabilities	3,379.9	3,497.7	3,522.3	3,550.1	+27.8	+52.4
- Debts	1,530.5	2,570.9	2,438.9	2,383.8	-55.1	-187.1
Total Shareholders' Equity	1,545.7	1,280.9	1,242.6	1,256.4	+13.8	-24.5

# 2010 cash flow plan

- Based on our cash flow outlook for 2010, we expect to reduce debt by KRW450bn.

## Cash Flow Plan

(Unit : KRW billion)



	Net Debt
2009	2,502.7
2010(E)	2,050.0
FCF improvement	450.0

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## **Doosan Infracore International**

— 2Q10 Results

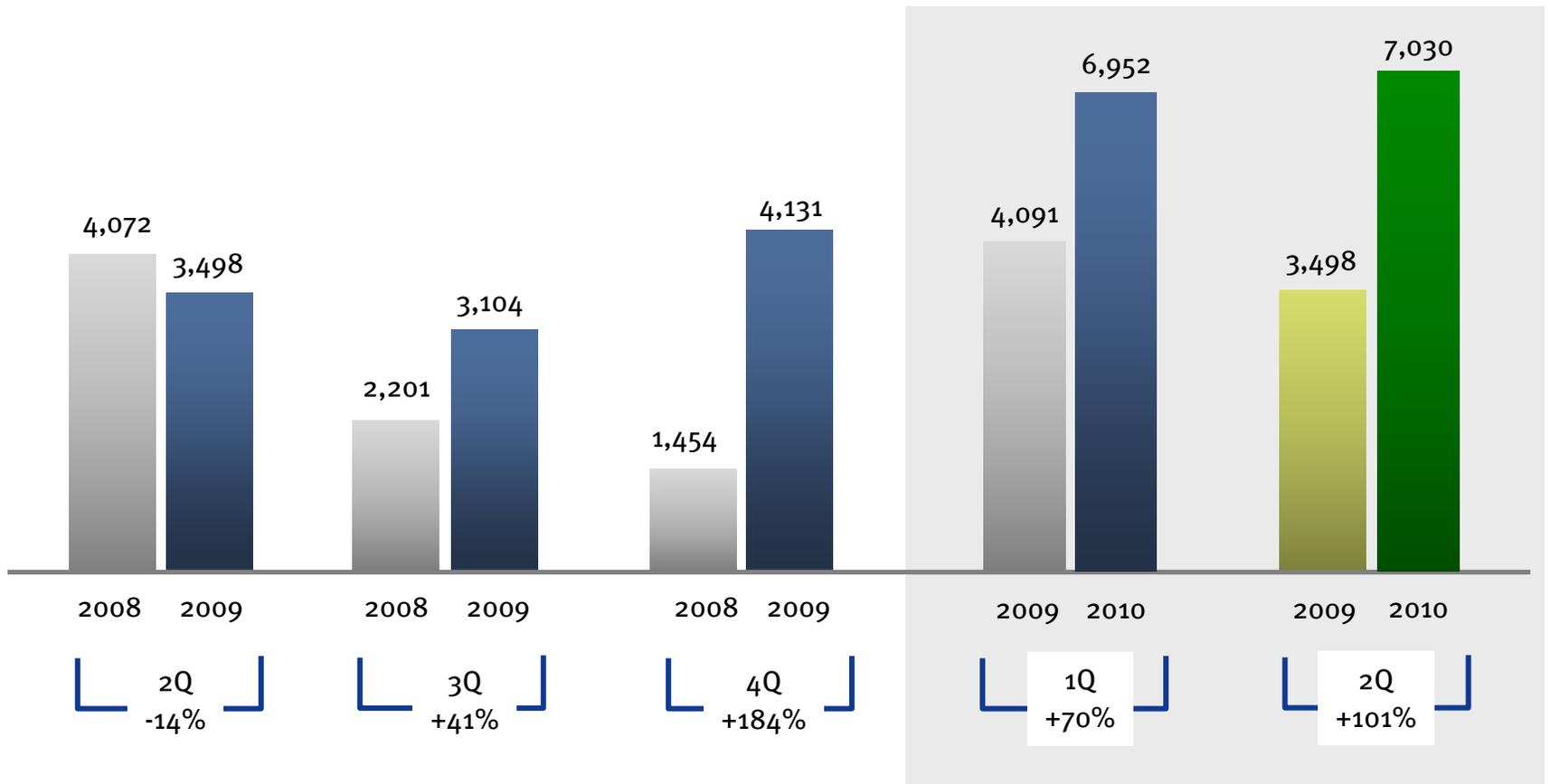
— 2Q10 Highlights

# 1-1 Construction equipment: Historic-high quarterly sales in China

- Excavator sales volume in China reached historic high levels and surged 101% YoY in 2Q in line with the market growth.

## China Excavator Sales and YoY Comparison

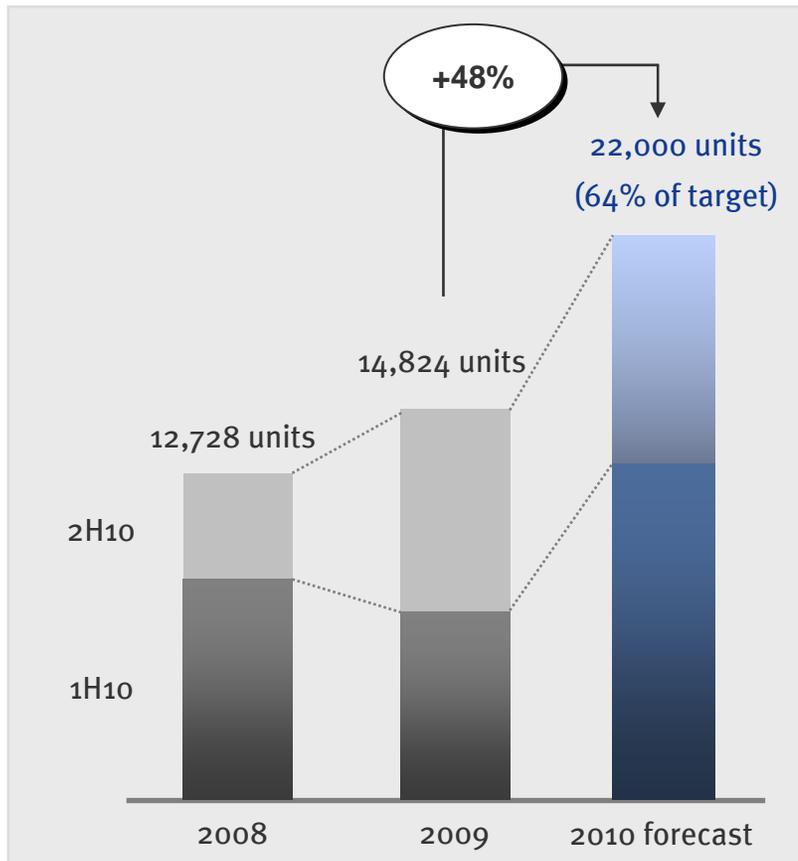
(Unit : units)



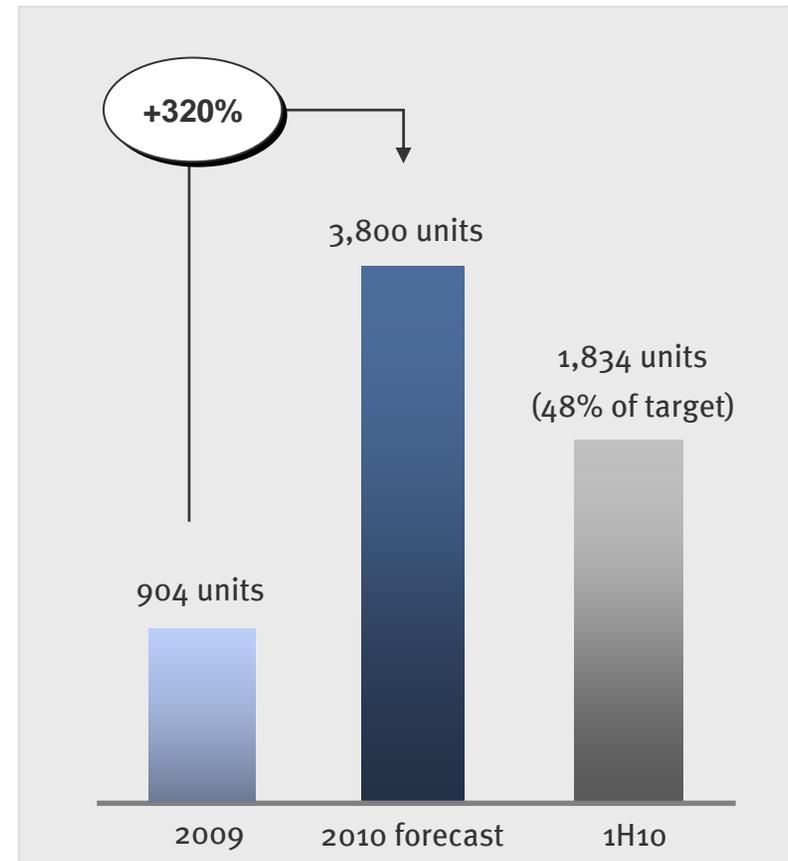
# Construction equipment: Upward revision of forecast in China

- We revise up our Chinese excavator sales volume to 22,000 units in 2010.
- With full-fledged wheel loader business in China, we project units sales growth of 320% YoY in 2010.

## China excavator sales results and forecast



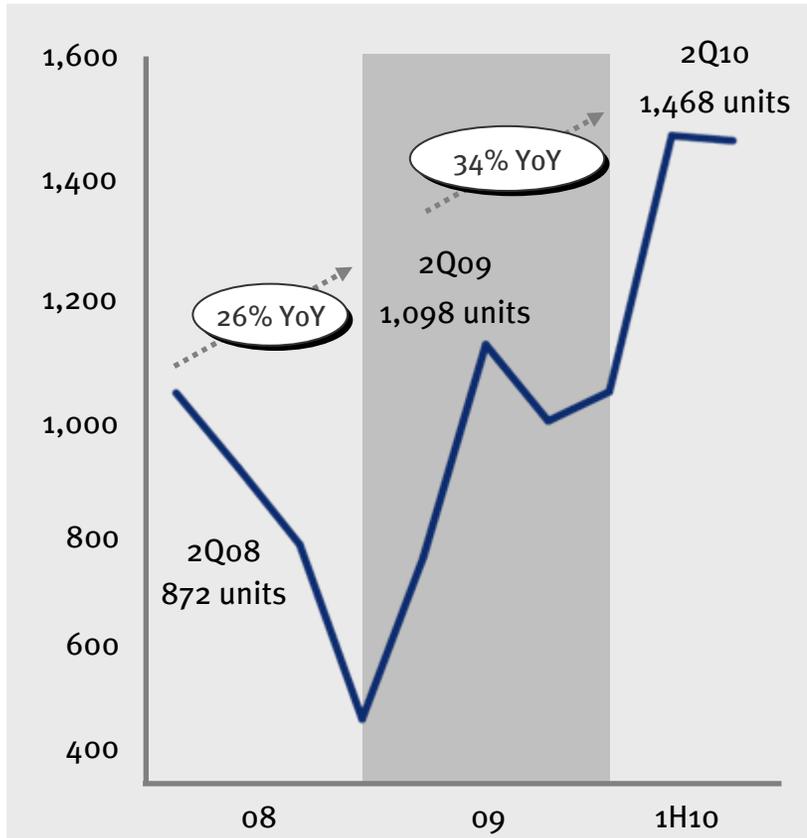
## China wheel loader sales results and forecast



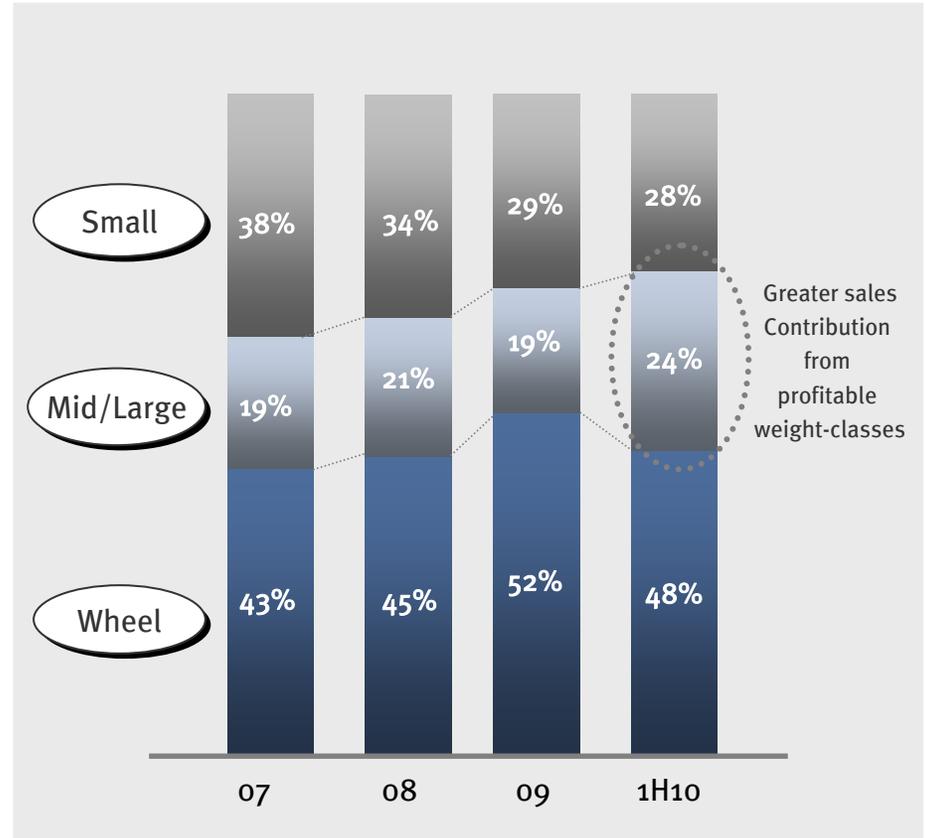
# Construction equipment: Korea also reached historic levels

- Excavator demand in Korea also reached unprecedented levels in view of infrastructure related new demand (particularly for large-sized equipments) and full-fledged replacement demand.
- We project similar growth trend for 2H in line with the progress of the four rivers development project.

## Quarterly sales trend



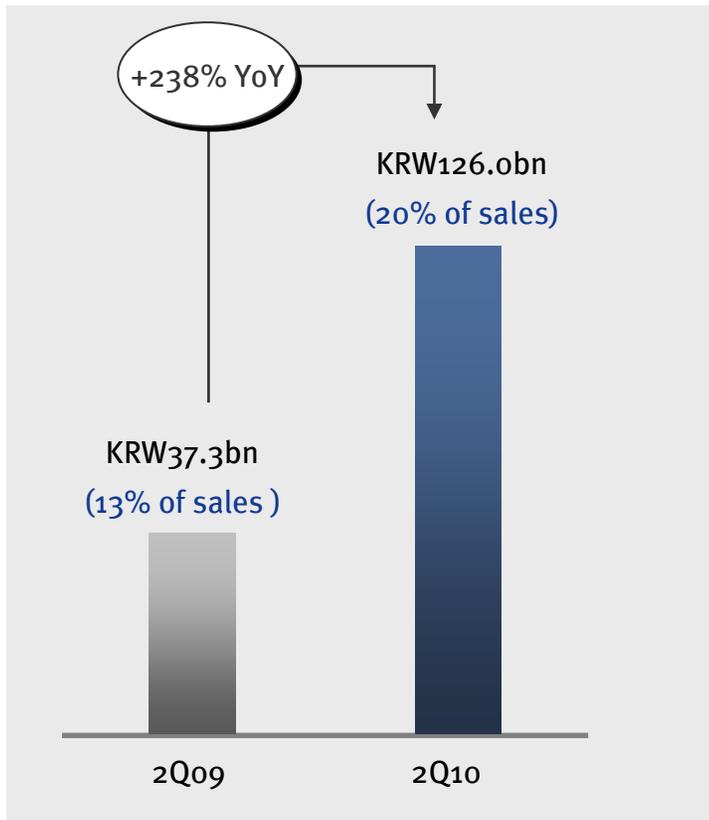
## Sales by weight class



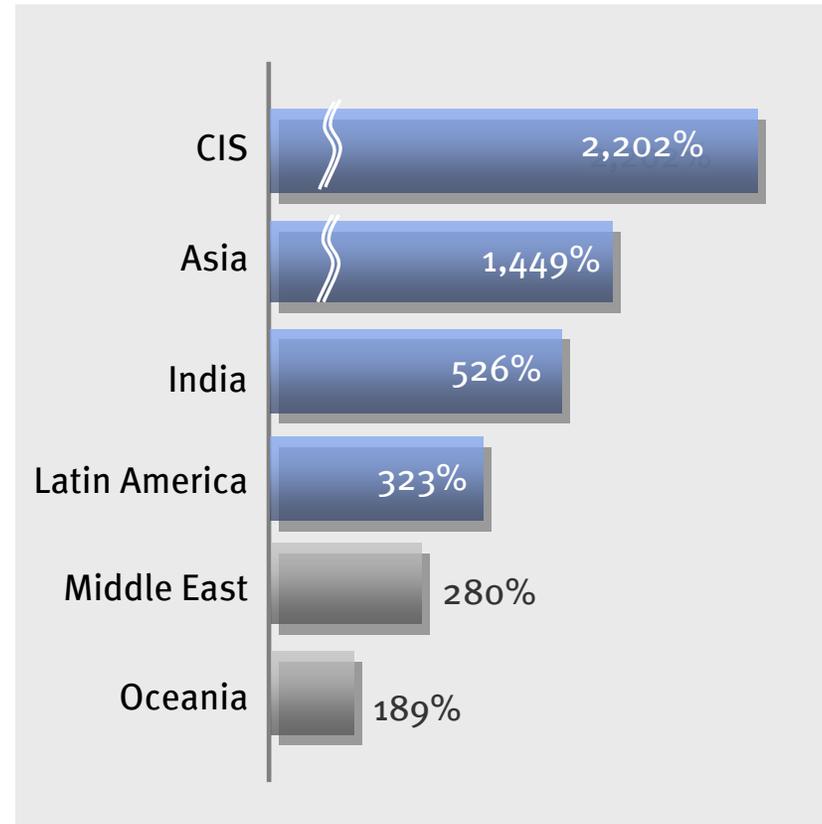
# 1-4 Construction equipment: Fast-growing emerging markets

- Sales from emerging markets in 2Q grew remarkably by 238% YoY in line with firm growths from CIS and Asia.
- Sales contribution from emerging markets also rose 7%p from a year ago to 20%.

## Sales from emerging markets



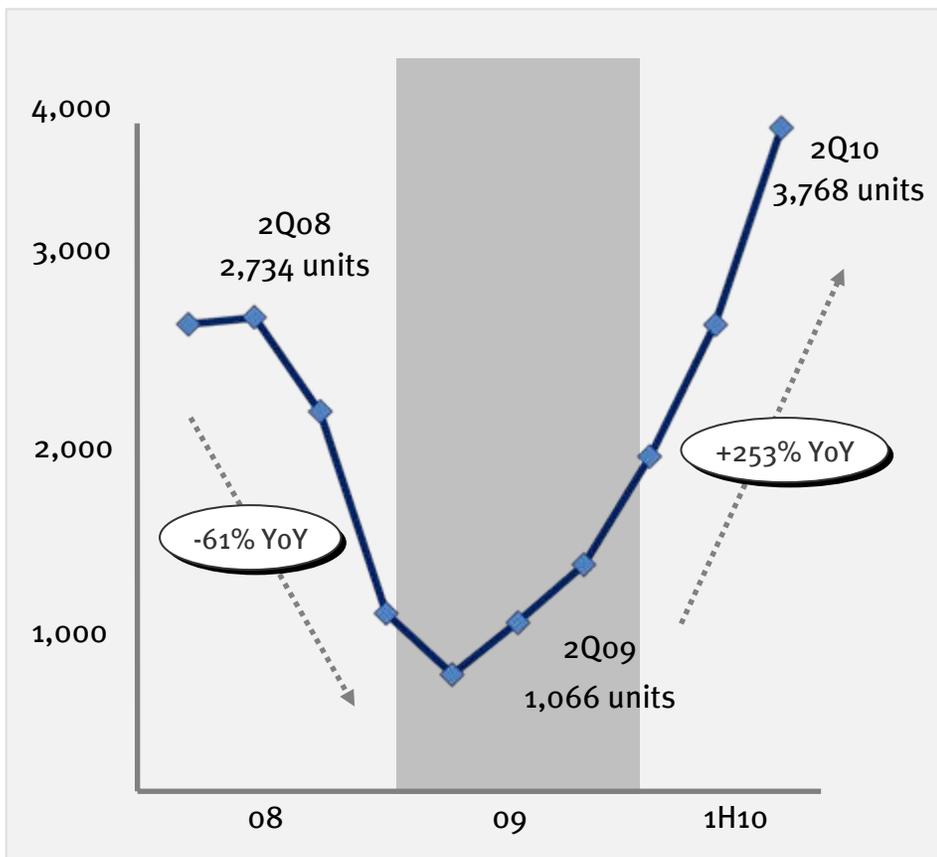
## Sales growth by region (YoY comparison)



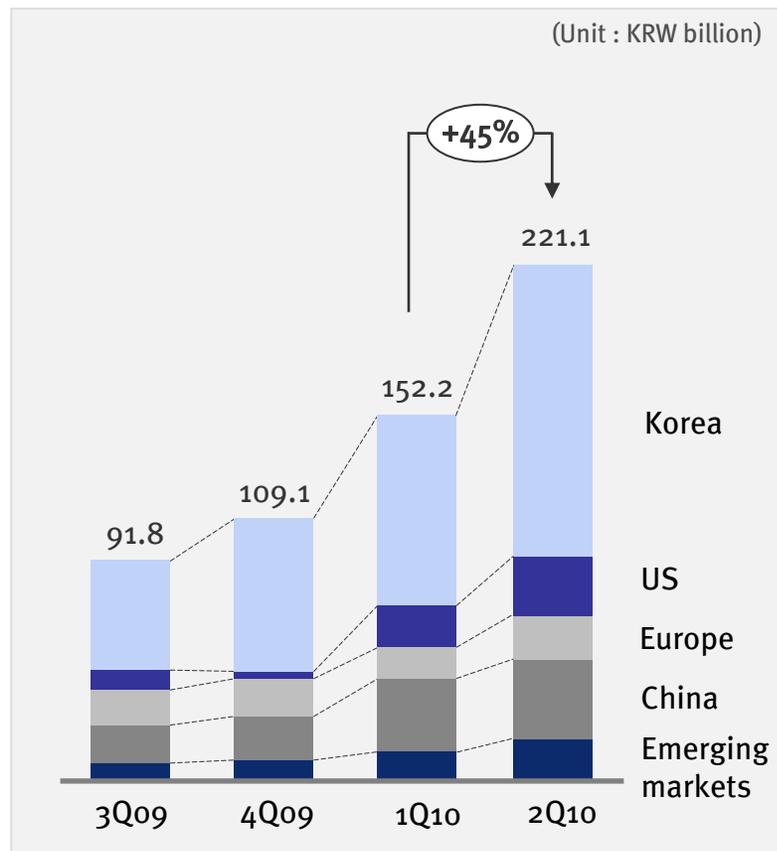
## 2 Machine tools : Historic-high quarterly order trend

- Machine tools sales grew 45% QoQ thanks to solid demand from automobile and IT industries in Korea and China. We anticipate accelerated growth during 2H in light of the remarkable order trend.

Order trend



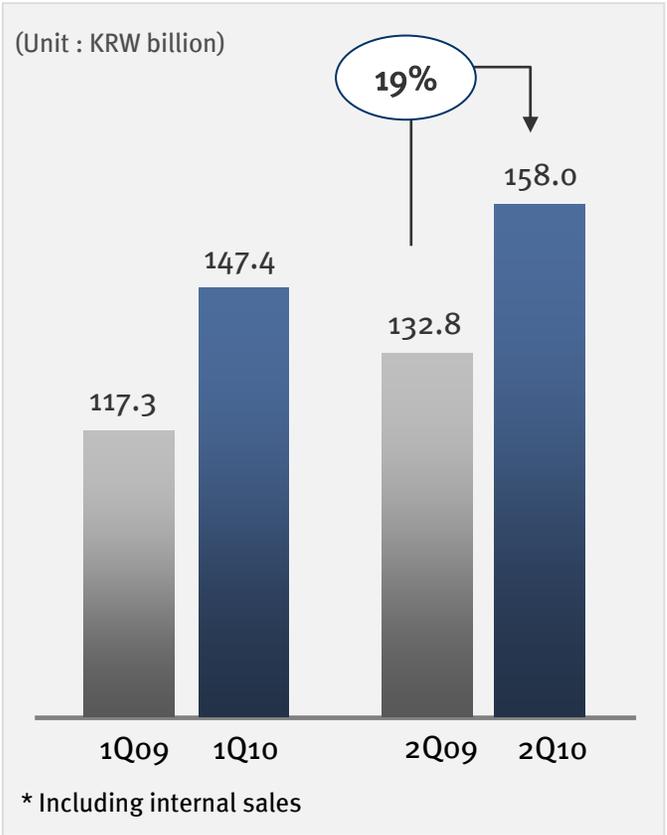
Quarterly sales



# 3 Engine BG: Securing platform for mid/long term growth

- Sales climbed 19% YoY in light of growing demand from emerging markets and DICC (our Chinese affiliate).
- The Chinese local joint venture Xuzhou-Doosan will act as the secondary production base and pursue synergies with existing businesses.

## Sales comparison \* (year-on-year)



## Sales outlook and mid/long term growth engine

### Sales outlook

- Added 11 dealers/OEM in emerging markets and increased supply volume to DICC (our Chinese affiliate) in 1H. However, sales growth slowed down as Daewoo Motor Sales entered the workout program.
- Sales should pick up in 2H 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 Tata Commercial Vehicle due to enhanced price competitiveness against imported products even with the price hike after the launch of Euro 5 engines.

### Mid/long term growth engine

- Construction of Xuzhou-Doosan engine plant (Production slated to commence from 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) from August
  - To expand into bus and waste collection vehicle OEM markets

# 4 Green technology to secure our future competitiveness

- Development of green engines to meet the greenhouse gas emission standard and secure price and quality competitiveness.
- Secure environmentally friendly technology and commercialize green products such as hybrid equipments.

## Meeting emission gas standards

### US10 CNG engine certification

- Comply with California's greenhouse gas emission standard, which is one of the tightest regulations in the world
  - 3<sup>rd</sup> company worldwide to secure 'US10' certification
  - Secured proprietary technology (first to apply SCR\* technology)
- Price competitiveness and fuel efficiency should provide an opportunity to enter the gas engine market for vehicles in the US and worldwide.

### Development of green engine

- To secure proprietary technology for green engine and apply to product development that complies with 2014 gas emission standard and possesses price/quality competitiveness.
- As the leading company for national project of proprietary technology development, we are working with universities such as POSTECH and KAIST.

## Securing and commercializing green technology

### Development of hybrid equipments

- Already secured hybrid technology with price competitiveness and fuel efficiency. Currently in the process of commercialization.
  - Plan to launch hybrid excavators and apply the technology to forklift trucks.

### Durability enhancing technology

- Improve equipment durability to global top level as means to produce fundamentally green products.
  - Improved component durability of excavators to global standard, which is an essential factor behind the overall product durability.

\* Selective Catalyst Reduction

\*\* Exhaust Gas Recirculation

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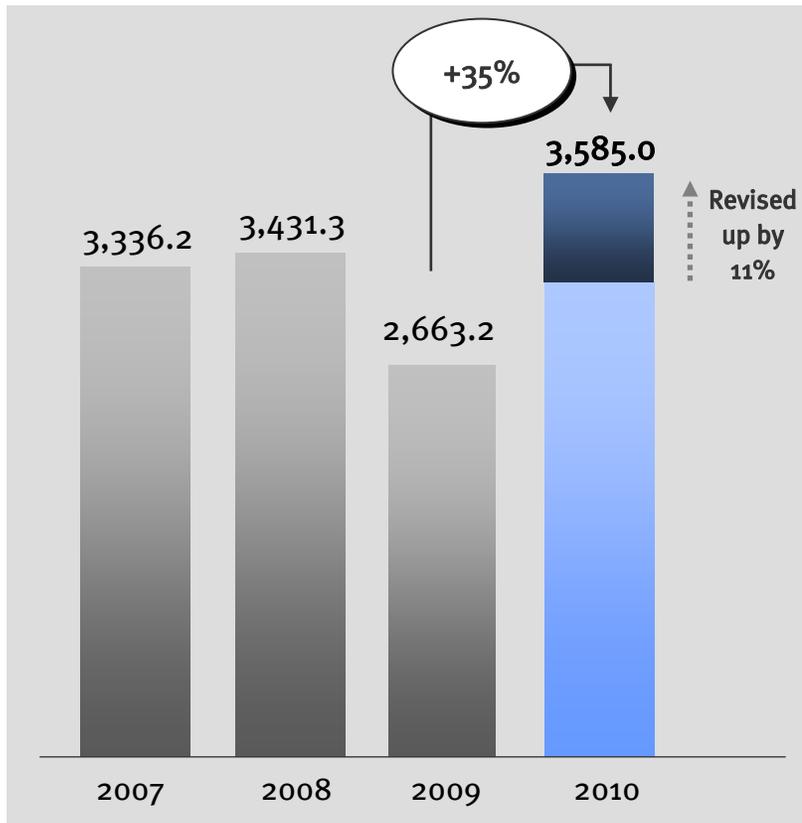
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# Revision of DI's 2010 outlook

- Sales outlook revised up by 11% and EBIT by 20% to reflect better 1H results and more positive 2H outlook.
- Revised targets translate into sales growth of 35% YoY and EBIT growth of 91% YoY.

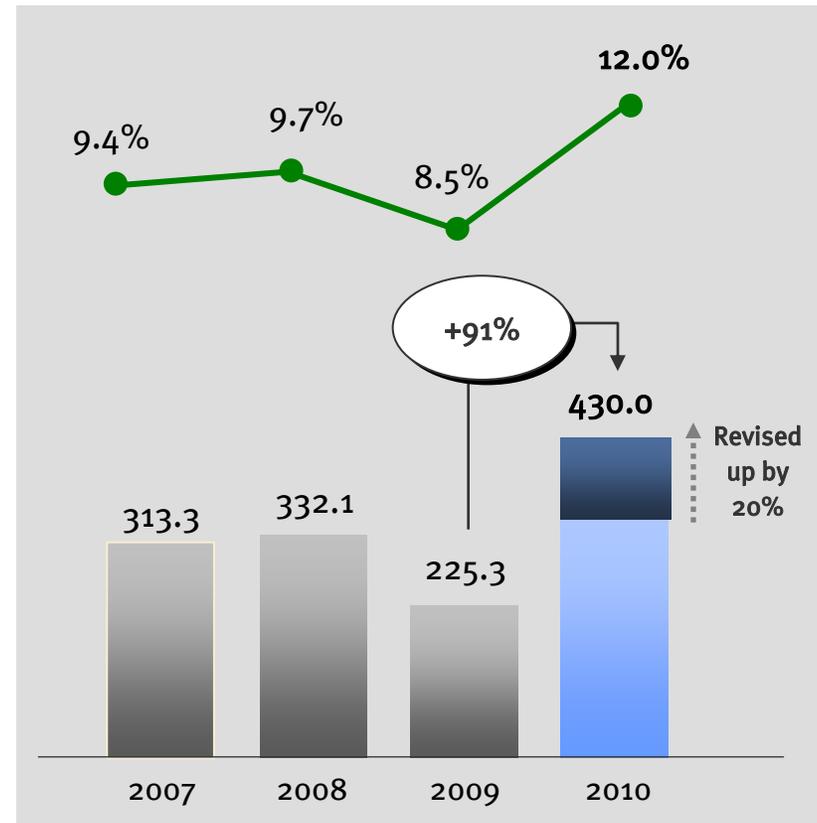
## Sales \*

(unit : KRW billion)



## EBIT (%) \*

(unit : KRW billion)



\* Excluded defense division sales and EBIT for apple-to-apple comparison

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# 2Q10 results

- Sales rose 60% YoY to US\$554mn in view of market growth and market share gains.
- EBITDA turned positive during the 2<sup>nd</sup> quarter thanks to market growth, price realization and cost reduction related to restructuring efforts.

## 2Q results

(unit : US\$ million)

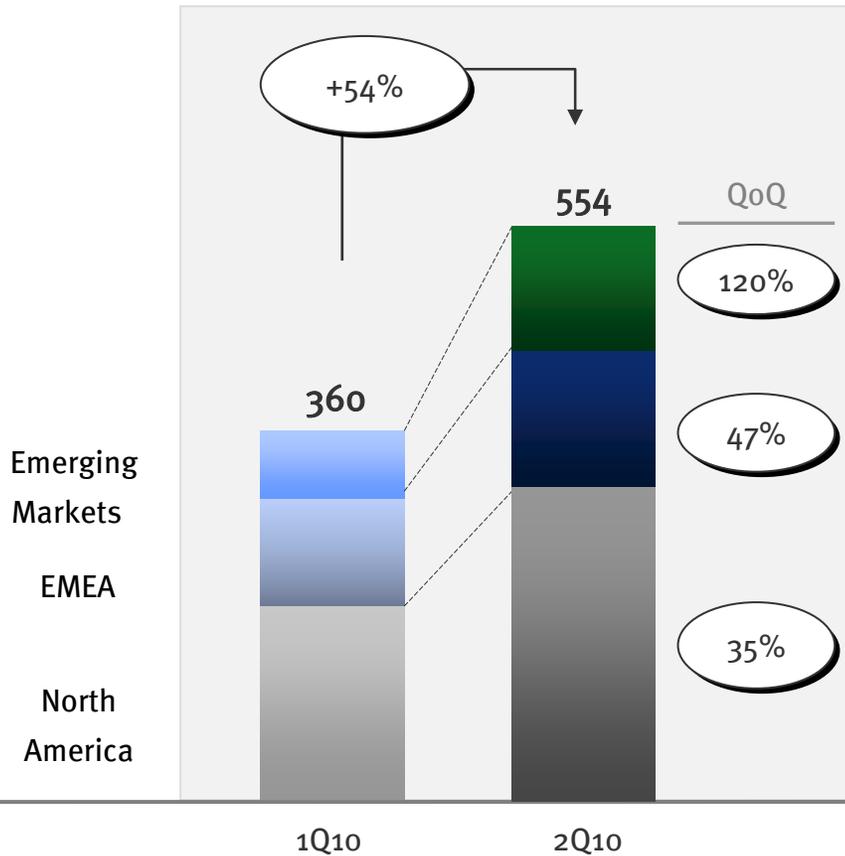
	2Q09	3Q09	4Q09	1Q10	2Q10	QoQ	YoY
Sales	346	376	362	360	<b>554</b>	+53.9%	<b>+60.1%</b>
EBIT	-91	-81	-102	-67	<b>-22</b>	+45	<b>+69</b>
EBITDA	-63	-50	-71	-37	<b>6</b>	+43	<b>+69</b>
(Financing Expense)	53	29	39	21	<b>32</b>	+11	<b>-21</b>
Net Profit	-121	-98	-163	-117	<b>-72</b>	+45	<b>+49</b>

# 1Q10 regional sales

- Sales grew 60% YoY thanks to visible recovery in North America and EMEA and strong growth in Asia, Latin America and emerging markets.

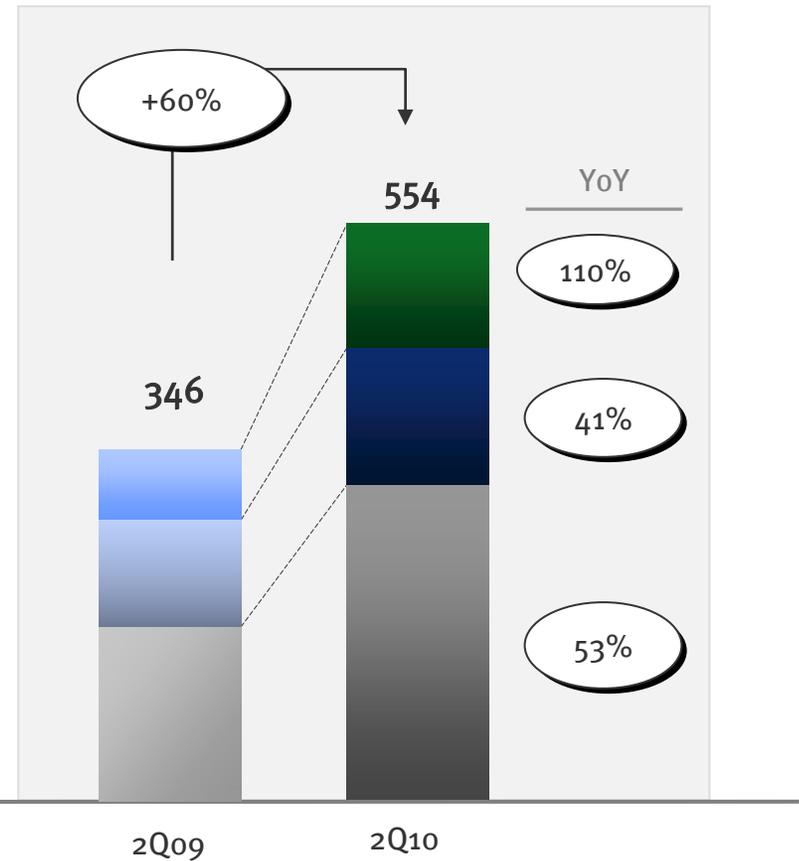
## Regional Sales (QoQ)

(unit : US\$ million)



## Regional Sales (YoY)

(unit : US\$ million)



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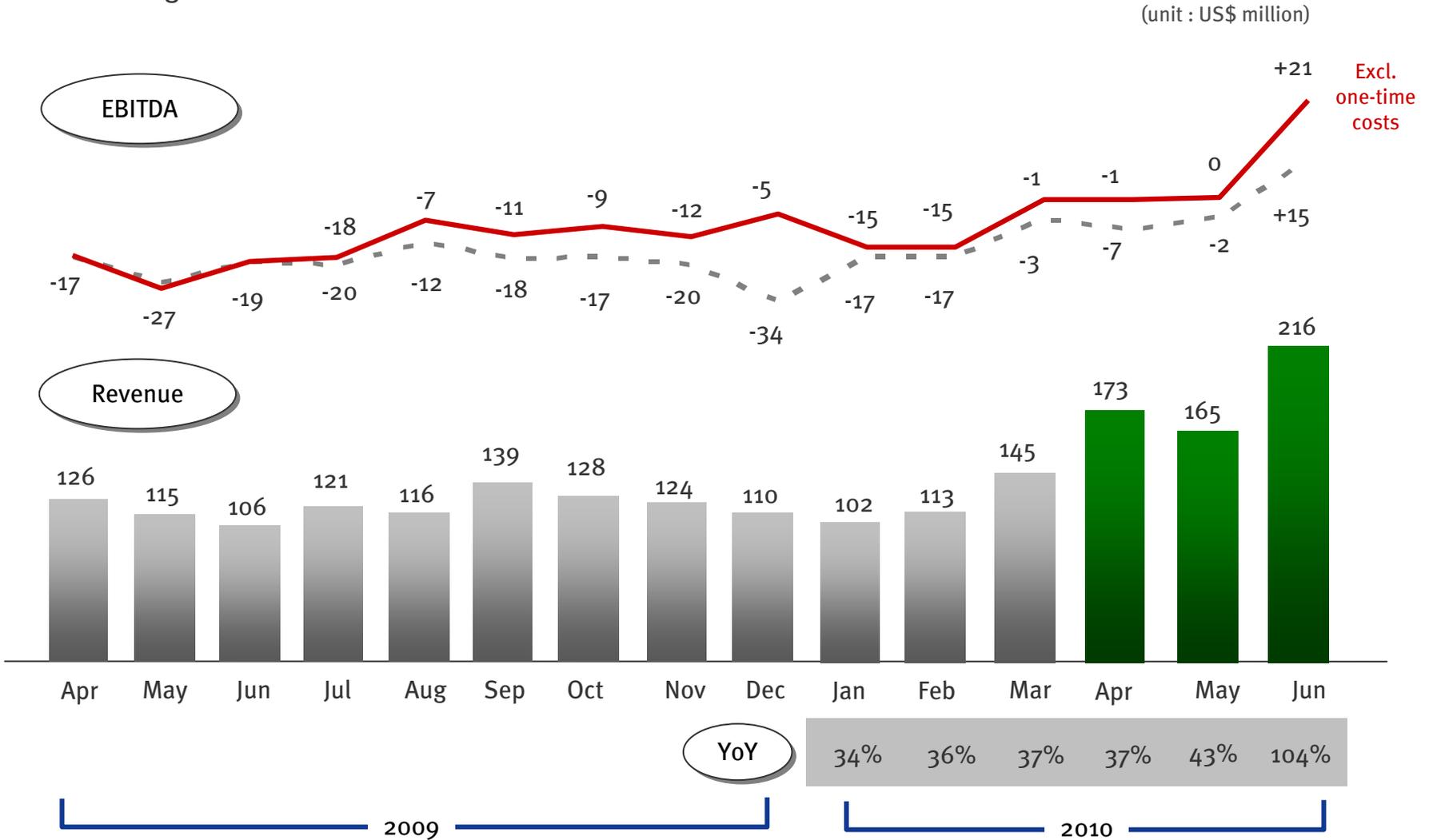
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# 1 2Q EBITDA turns positive

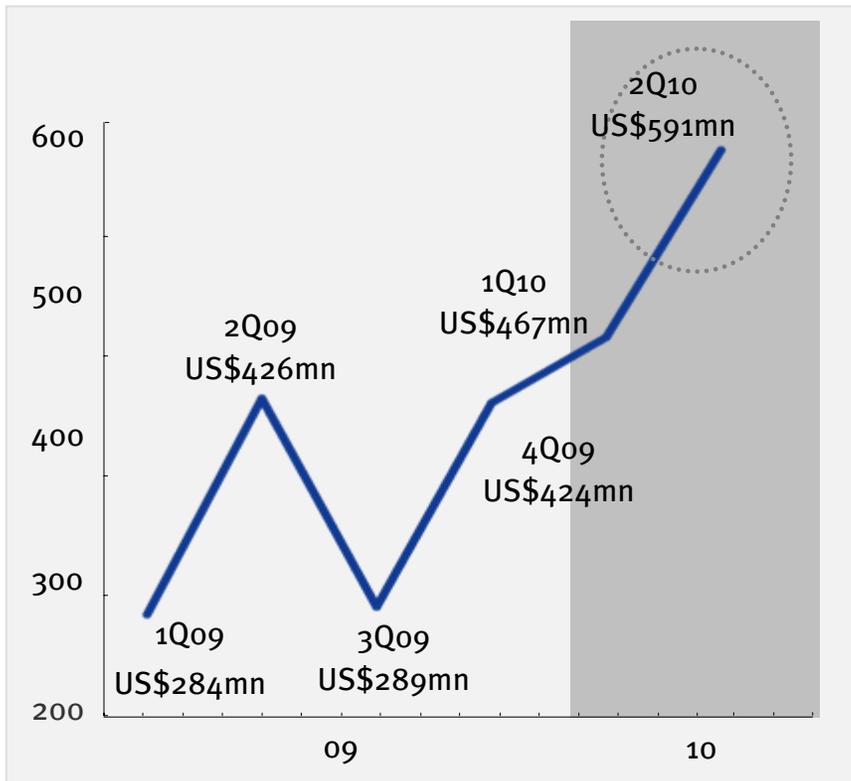
- EBITDA in 2Q turned positive thanks to visible sales improvement and better cost structure after our restructuring efforts.



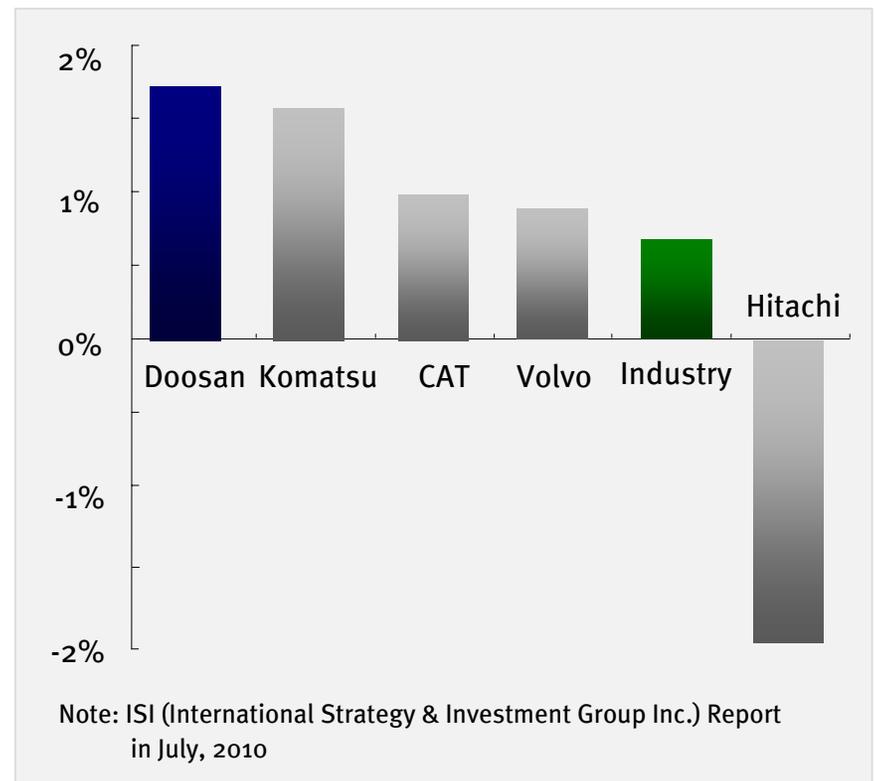
## 2 Order growth and price realization point to future profitability

- DII obtained the greatest orders since the financial crisis during 2Q and was able to raise product prices that was discounted as a result of sluggish orders.
- There is even a 3-month waiting period for M-series, which is the newly launched product line-up of skid steer loaders and mini-excavators.

### Order trend



### 2Q price trend (YoY comparison)



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# Thank You