Doosan Infracore

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2013 3Q Investor Meeting

Oct 2013

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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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3Q13 results *

- Sales slightly increased YoY due to DII's favorable performance and recovery in China despite of EM's sluggish growth
- EBIT improved substantially YoY thanks to a structural change; 1) cost reduction in materials and warranty and 2) an enhanced cost structure by organizational restructuring
- Net profit turned to black due to improvement in EBIT and F/X gains

Results

(Unit : KRW billion)

	3Q12	4Q12	1Q12	2Q12	3Q13	YoY	QoQ
Sales	1,859.4	1,776.0	1,789.3	2,181.6	1,879.5	1.1%	-13.8%
EBIT	36.5	-25.3	57.2	121.2	103.0	182.2%	-15.0%
EBIT margin (%)	2.0%	-1.4%	3.2%	5.6%	5.5%	+3.5%p	-0.1%p
(Net Financial Cost)	91.3	86.9	73.1	73.3	74.5	-18.4%	+1.6%
(F/X gains/losses)	62.3	35.7	-27.8	-18.2	35.8	-42.5%	Turned to black
Income Tax**	-25.2	-253.0	-7.9	29.7	21.0		
Net Profit	24.1	104.6	-77.0	-19.4	20.8	-13.7%	Turned to black

*Figures are based on consolidated K-IFRS.
** 2012 net profit includes tax profit of KRW395.6 billion from DII's deferred tax asset.(2Q: KRW204.5 billion, 4Q: KRW191.1 billion)

3Q13 divisional sales & EBIT *

- Although sales of the construction equipment and Machine Tools stayed at similar level, EBIT increased remarkably YoY because,
  - Construction Equipment : margin improved by rebuilding cost structure and favorable sales mix at DII as well as organizational restructuring in China and Europe
  - Machine tools : Although competition deepened due to weak Yen, our competitiveness strengthened by reduction in Yen-related material cost and launching lower cost structure products

Sales

(Unit : KRW billion)

	Sales	% of sales	YoY
Construction Equipment	1,392.3	74.1%	+0.1%
Machine Tools	338.3	18.0%	+1.3%
Engines	148.9	7.9%	+10.2%
Total	1,879.5	100%	+1.1%

* Figures are based on consolidated K-IFRS

EBIT & Margin

(Unit : KRW billion)

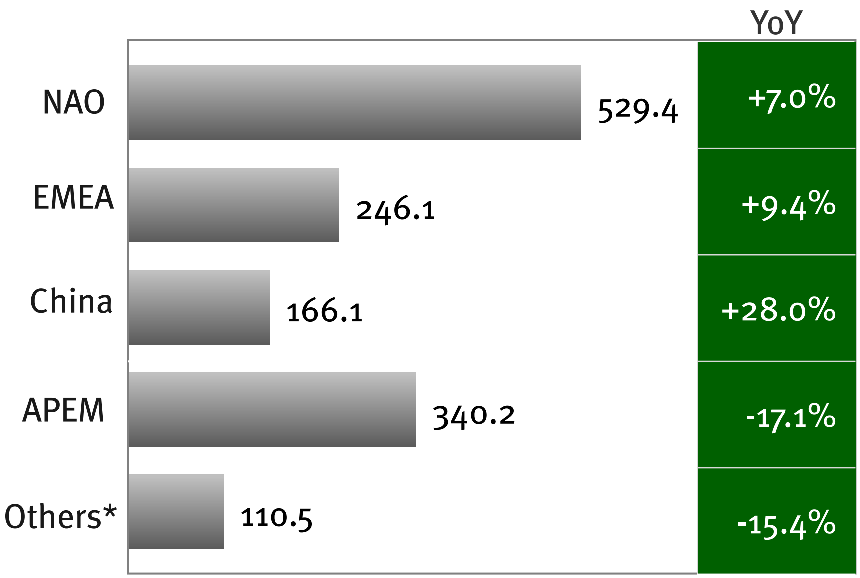
	EBIT	EBIT margin	YoY
Construction Equipment	67.6	4.9%	+432.3%
Machine Tools	40.9	12.1%	+34.5%
Engines	-5.5	-3.7%	Reduced loss
Total	103.0	5.5%	+182.2%

3Q13 construction equipment BG details

- Outperformed the markets with the newly-launched , and more competitive models
  - DM: Sales increased thanks to 1) M/S increase followed by M-series launching in NAO and 2) increase sales in heavy equipment in Europe
  - China: Sales increased on the back of improvement in sales mix (increasing the portion of large/extra-large sized products)
  - EM: Sales decreased due to the continued sluggish market condition
- EBIT at DII increased remarkably YoY thanks to 1) cost improvement 2) sales mix and 3) restructuring in Europe

3Q13 Regional Breakdown

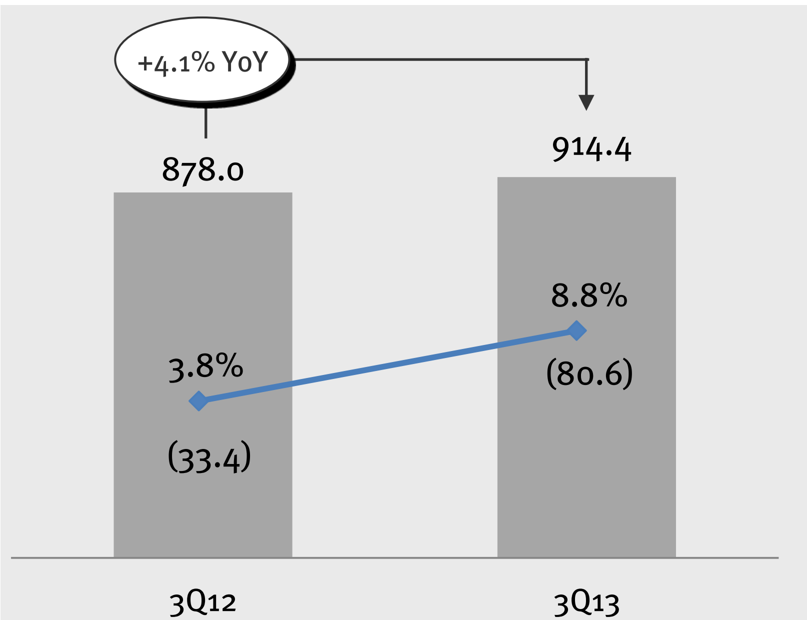
(Unit : KRW billion)



* Others include sales from DIPP, ADT and Headquarter
** APEM(Asia Pacific/Emerging Markets), NAO(North America/Oceania), EMEA(Europe/Middle East/Africa)

DII's 3Q13 Sales & EBIT*

(Unit : KRW billion)



* Net impact of Territory Transfer (- MEA Heavy / +CIS Compact) for 3Q12: -93.1 KRW billion for sales, -3.8 KRW billion for EBIT

Financial structure *

• Net debt decreased by KRW 309.1 billion QoQ due to Won's strength

Balance Sheet

(Unit : KRW billion)

	2012	1Q13	2Q13	3Q13	YoY(amount)
Current Assets	3,862.0	4,170.2	4,333.4	4,093.6	-239.8
Fixed Assets	7,683.0	7,872.8	8,127.7	7,750.1	-377.6
Total Assets	11,545.0	12,043.0	12,461.1	11,843.7	-617.4
Total Liabilities	8,536.2	9,055.6	9,391.6	8,922.2	-469.4
- Net Debt	5,504.9	5,705.0	5,870.9	5,561.8	-309.1
Total Shareholders' Equity	3,008.8	2,987.4	3,069.5	2,921.4	-148.1
Liabilities/Equity Ratio	283.7%	303.1%	306.0%	305.4%	-0.6%p

* Figures are based on consolidated K-IFRS

Business segment information

• DII quarterly results and backlog

(Unit : KRW billion)

	3Q12**	4Q12	1Q13	2Q13*	3Q13*
Sales	971.1	891.5	822.2	966.0	914.4
EBIT	37.2	39.4	34.0	72.3	80.6
EBIT margin (%)	3.8%	4.4%	4.1%	7.5%	8.8%

*2Q13 and 3Q13 are under the restatement, whereas figures in past are under pre-restatement2Q13
** Net impact of Territory Transfer (- MEA Heavy / +CIS Compact) for 3Q12: -93.1 KRW billion for sales, -3.8 KRW billion for EBIT

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

(Unit: unit,%)		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2012	Market	4,778	14,646	21,551	13,729	9,630	7,614	5,310	4,817	5,096	5,479	5,881	6,309	104,840
	DI	399	1,659	1,975	1,227	848	535	498	383	389	405	435	376	9,129
	M/S	8.4%	11.3%	9.2%	8.9%	8.8%	7.0%	9.4%	8.0%	7.6%	7.4%	7.4%	6.0%	8.7%
2013	Market	4,324	5,521	20,784	15,467	10,834	7,715	5,725	5,706	6,384				82,460
	DI	321	460	1,691	1,328	838	540	485	436	482				6,581
	M/S	7.4%	8.3%	8.1%	8.6%	7.7%	7.0%	8.5%	7.6%	7.6%				8.0%

• Machine Tools BG New order trend

(Unit: unit)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012	874	1,118	1,097	1,021	1,021	982	841	764	797	760	806	838
2013	852	892	1,078	1,029	1,063	905	845	871	850			

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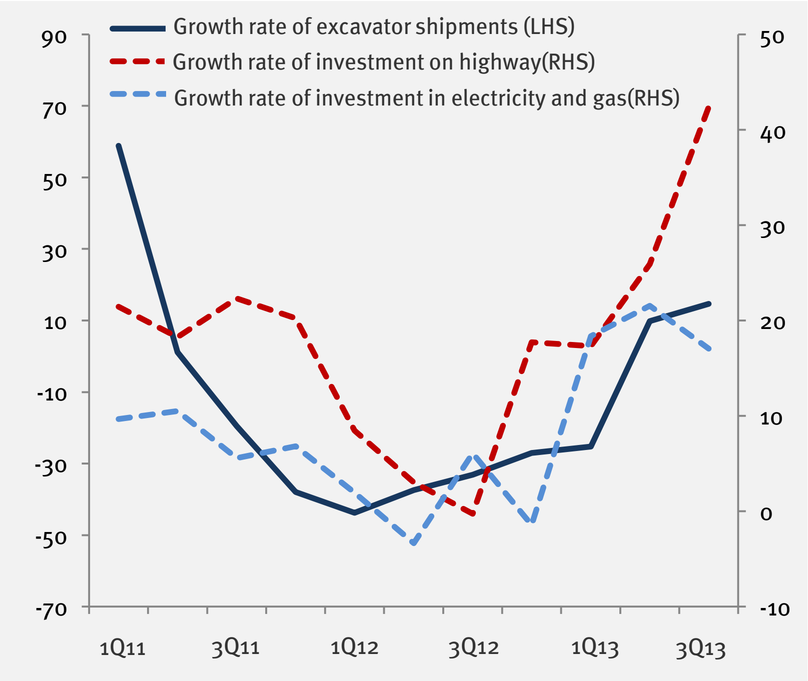
Q1. When should China recover? What are DI's strategies to cope with the sluggish performance and M/S fall?

- Infrastructure investment has been improved on highway, electricity and city gas sectors since 1H13. The demand for 1) new equipment driven by urbanization and 2) replacement should bring 5~7% growth in 2014
- Secure profitability through restructuring and competitive product/channel, given the sluggish market condition

FAI and excavator shipments growth

(Unit : %)



Source: National Bureau of Statistics of China, CCMA

Strategies to strengthen competitiveness in China

Efficient Channel	• Secure financial soundness by dealer restructuring - About 50% of superior dealers contribute 78% of sales - Restructuring will be completed for the rest of dealers this year
Profitability Improve-ment	• Scale down operation (production/personnel by app. 30%, 20% respectively) • Suzhou plant should be effectively utilized as logistics center • Strengthen after market (AM) business by strict control over imitations
Products	• Launch 2 new large products(42 , 50tons) in 2013 • Launch 2 new small products(8tons in 2013, 7 and 12tons in 2014) in response to increase in demand • Expand exports of wheel loaders manufactured in China to EM such as CIS, MEA

Q2. Should DI turnaround without China business recovery?

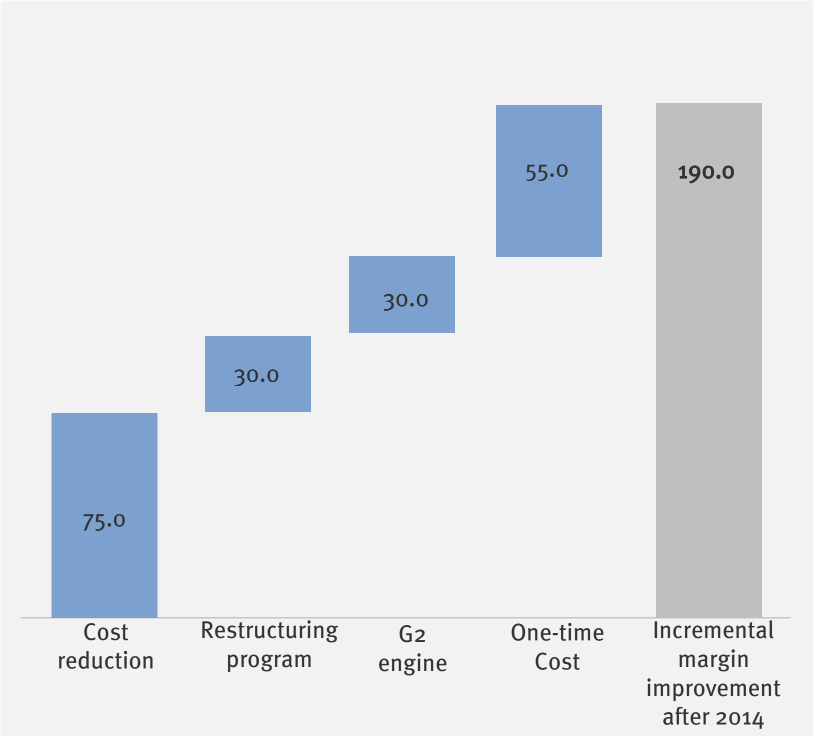
- In 2013, we established a strong business structure that EBIT can exceed interest expense given the deteriorated conditions in China, and positive OCF is expected on the back of CAPEX/cost reduction and working capital management
- Secure KRW190.0 billion of incremental EBIT by 1) continued cost improvement activities 2) restructuring and 3) G2 engine, after 2014

Cash flow improvement in 2013

Higher Profit-ability	• Rebuild cost structure - Reduce material/warranty costs - Organizational restructuring
Less financial cost	• Decrease in interest expense thanks to successful refinancing
WC Mgt.	• Eliminate excessive inventory by reducing lead time based on highly accurate sales forecast and production efficiency
Decrease in CAPEX	• Complete a large scaled investment for G2 engine development and engineer capability improvement

Profitability enhancement after 2014

(Unit : KRW billion)



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Eco-friendly, highly efficient compact diesel engine, G2

- Begin a mass production of G2 engine, quality on par with top-tier competitors, complies with Tier4 Final emission without attaching expensive smoke reduction filter
- Expand business opportunities for agricultural machinery, commercial vehicle, generator and shipbuilding

Engine BG product line-up

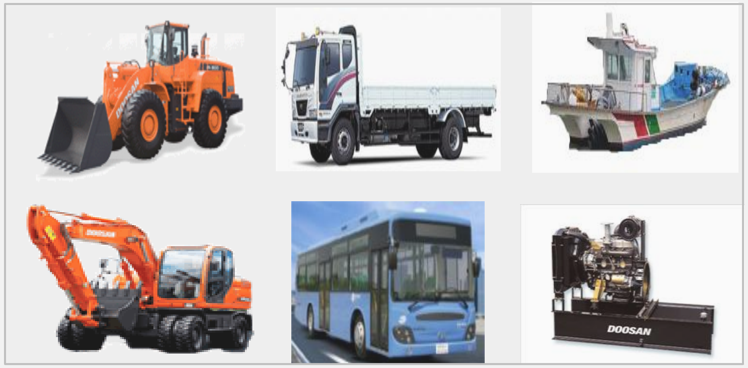
[New products]
Compact engine, G2


1.8L


2.4L


3.4L

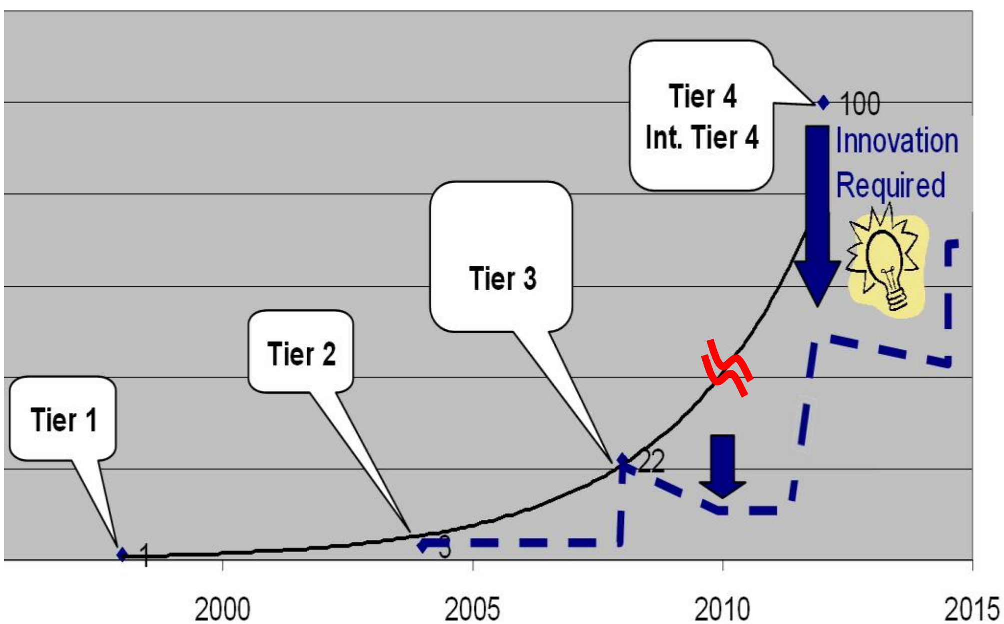
[Current products]
Mid/Large-sized engines

Emission Regulation for compact engine

- The effectuation of Tier4 in NA/Europe, starting from 2013, is likely to set a higher market entry barrier as there should be price increase followed by highly advanced technology
- Our differentiated and competitive engine technology should bring us new opportunities

Projected cost impacts for Engine Emission



G2 Engine Development Strategy for Tier4

High-Tech Way

C/Rail*+DOC**+No-DPF

Conventional Way

C/Rail+DOC+DPF***

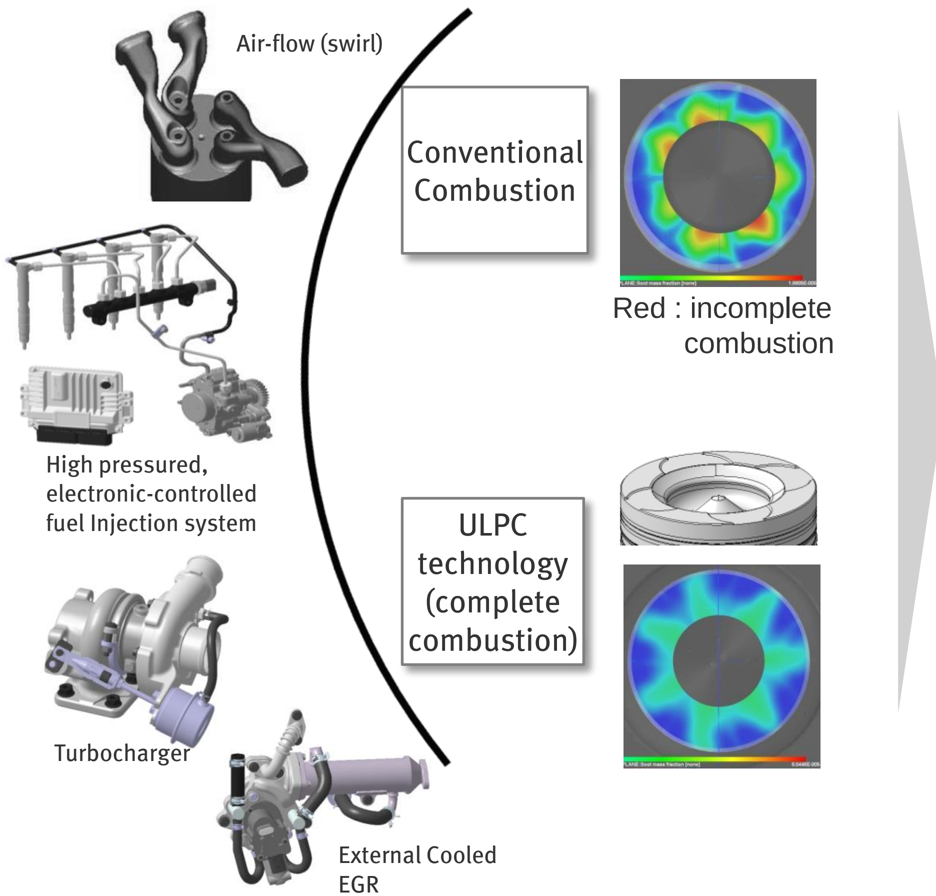
Low Cost Way

Mech+DOC+DPF

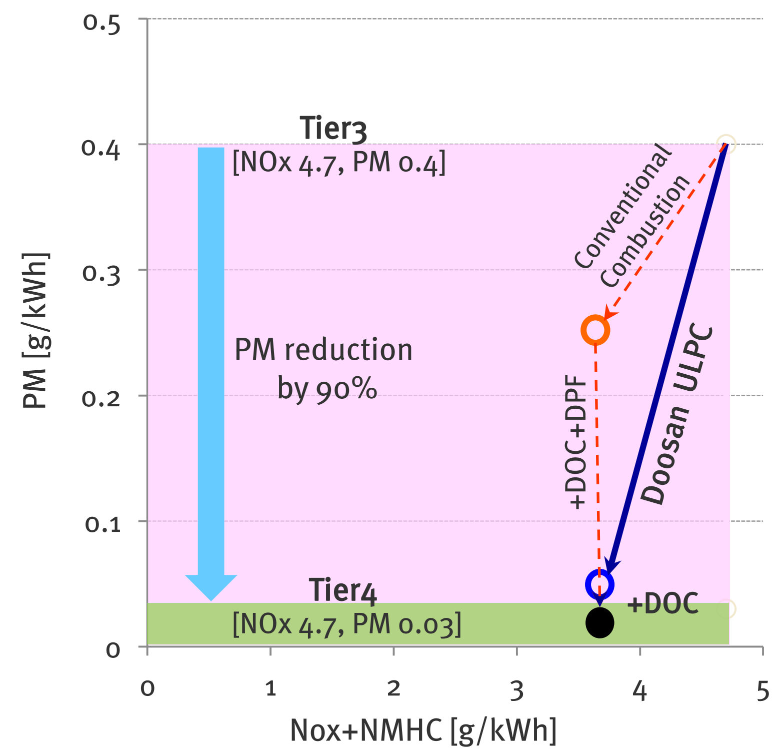
*C/Rail: Common Rail
**DOC : Diesel Oxidation Catalyst
***DPF : Diesel Particulate Filter

G2engine combustion technology, ULPC(Ulta Low PM Combustion)

- Implement a high combustion control technology which combust at the optimal state of air and fuel mixture – received an overseas patent
- Minimize toxic gas from the engine: received Jang Young-Shil Award by the Minister of Science and Technology in 2013



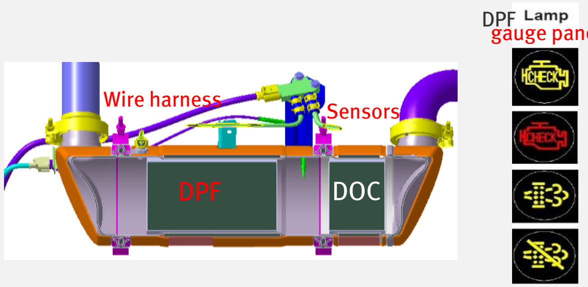
Achieve advanced technology differentiated from others for Tier4



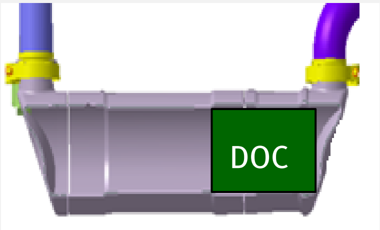
Superior Quality of the most advanced engine, G2

- Secure 10~12% of cost competitiveness on the back of innovation; eliminates expensive DPF which is generally accepted for tier4
- Decrease in operation and maintenance expenses by customer value oriented design/development
  → Saving maximum KRW 11.37 million per 10,000 hour operation

Innovative technology



General DPF system



No-DPF system of G2

Customer value oriented design/development

Operation expense	✓ Lower fuel consumption rate by downsizing and optimized combustion ↔ 14% saving compare to competitors
Maintenance expense	✓ Average cycle of oil, oil filter, fuel filter replacement is 500hrs ↔ 2 times longer than competitors(250hrs) ✓ No maintenance required, such as ash cleaning ↔ competitors' cycle of cleaning: 3~400hrs ✓ Unnecessary to replace oil separator filter ↔ competitors' cycle of replacement: 1~2,000hrs ✓ Global top level of engine durability


Q&A