



Doosan Infracore

Doosan Infracore

2015 4Q Investor Meeting

Feb 2016



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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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1 Restructuring in 2015 & Expected impacts

2 2015 Results

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① Market

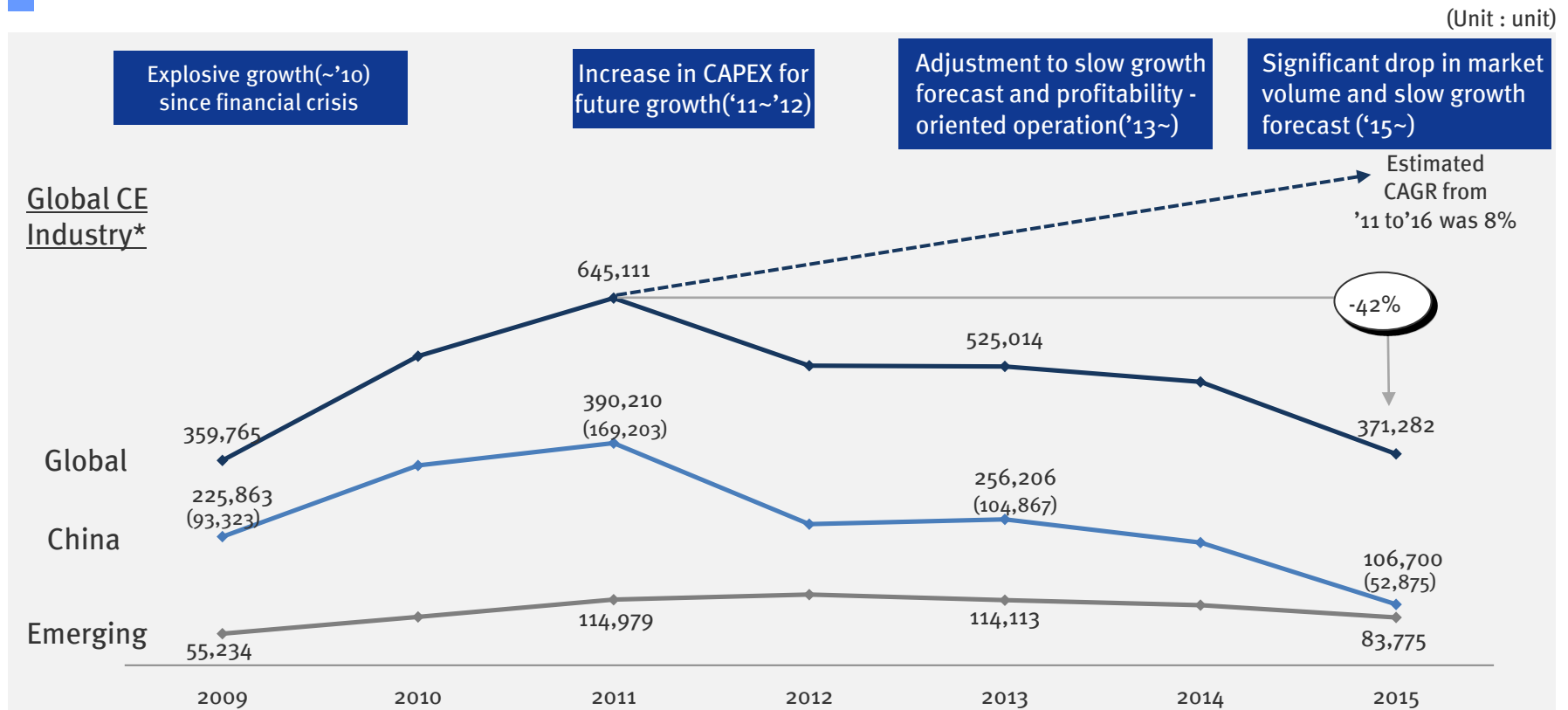
② Profitability

③ Improvement in financial structure

Backgrounds for Restructuring - Backgrounds

- In spite of expanded CAPEX followed by growth and positive outlook after the financial, CE industry extended its downturn since 2012
- Although we adjusted the business structure from 2013 in preparation of market downturn, significant restructuring due to severe conditions than expected had been carried out in the face of downturn over the long term

Backgrounds for Restructuring



* Including excavators and wheel Loaders. The numbers in parenthesis(as for China) indicate excavator volumes only

Backgrounds for Restructuring - details and impacts

- Given conservative outlook on heavy business, substantial restructuring which includes reduction in workforce as well as business structure had occurred

Restructuring costs

(Unit : KRW billion)

Classification	Items	Amount	Remarks
OP 298.1	Workforce	171.7	Office job : ▼ 1,120 employees Production : ▼ 460 employees
	Dealers	126.4	Recover dealership of the poor performers and related litigation etc.
Non OP 436.8	Business Structure	269.5	1. Scale down in operation of overseas subsidiaries etc. : 168.9 - China 28.5, Brazil 76.7, Europe 37.7, Others 26.0 2. 100.6 of intangible asset curtailment such as discontinued development etc. - development cost : 54.0, Fixed asset : 46.6
	Tax	167.3	Revised deductible loss carried forward to 80%, abided by revised tax law
Total		734.9	

Impacts of restructuring

(Unit : KRW billion)

Items	Amount	Remarks
Reduction in Labor costs	117.0	HQ : 105.4, Overseas: 11.6
Reduction in Expenses	80.1	Manufacture costs/SG&A : 56.5 Deprecation : 11.3 Development : 12.3
Reduction in Purchase costs	84.6	HQ : 73.5, Overseas : 11.1 (Materialized about 70% of cost reduction by contract)
Total	281.7	

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2015 results *

2014

- In spite of continued favorable trend at Doosan Bobcat(DBI**), sales declined due to continued slump in China and APEM
- EBIT and NP deteriorated primarily due to decreases in sales and restructuring costs

4Q15

- Unfavorable operating environment resulted decline in sales, and EBIT turned to negative due to restructuring costs related with workforce and dealers
- Net financial costs improved as a result of reduction in debt with proceed from Pre-IPO
- NP remained red due to restructuring costs for workforce and business structure

Results

(Unit : KRW billion)

	2014	2015	YoY	4Q14	4Q15	YoY
Sales	7,688.6	7,213.0	-6.2%	1,975.5	1,669.9	-15.5%
EBIT	453.0	27.4	-94.0%	108.3	-196.6	TR
EBIT margin (%)	5.9%	0.4%	-5.5%p	5.5%	-11.8%p	-17.3%p
(Net Financial Cost)	271.5	267.0	-1.7%	67.7	61.5	-9.1%
(F/X gains/losses)	-29.0	-74.8		-13.8	13.0	
Net Profit	24.0	-859.5	TR	-81.6	-613.0	RR

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

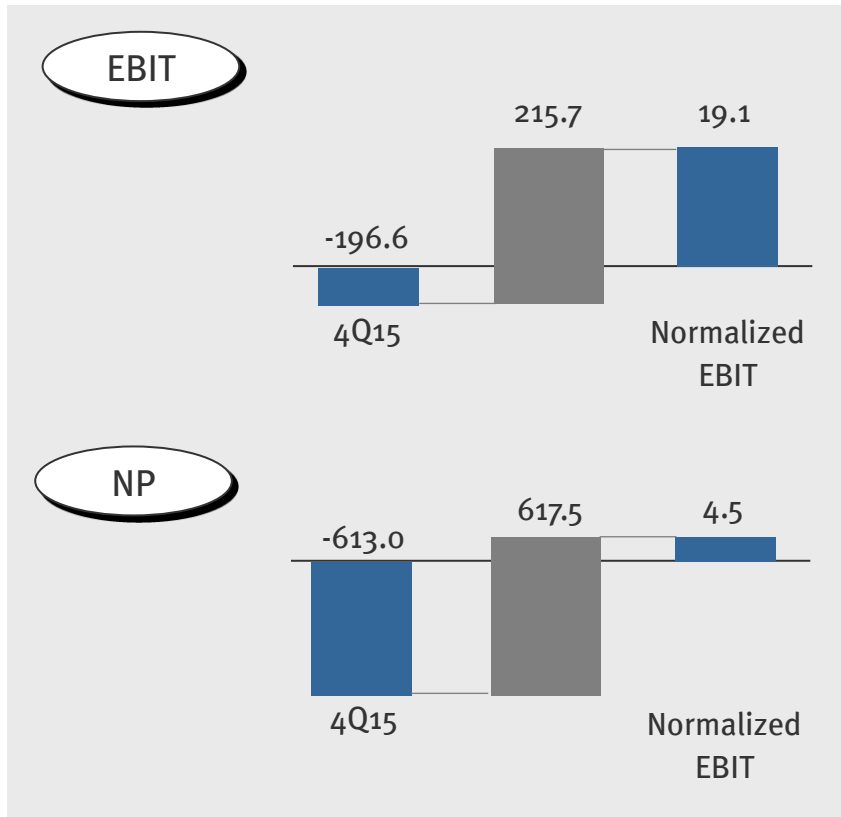
** Doosan Infracore Bobcat Holdings(DIBH) has changed its name to Doosan Bobcat(DBI)

EBIT/Net Profit Excl. restructuring costs

- Normalized EBIT in 2015, excluding restructuring costs is higher than KRW300bil

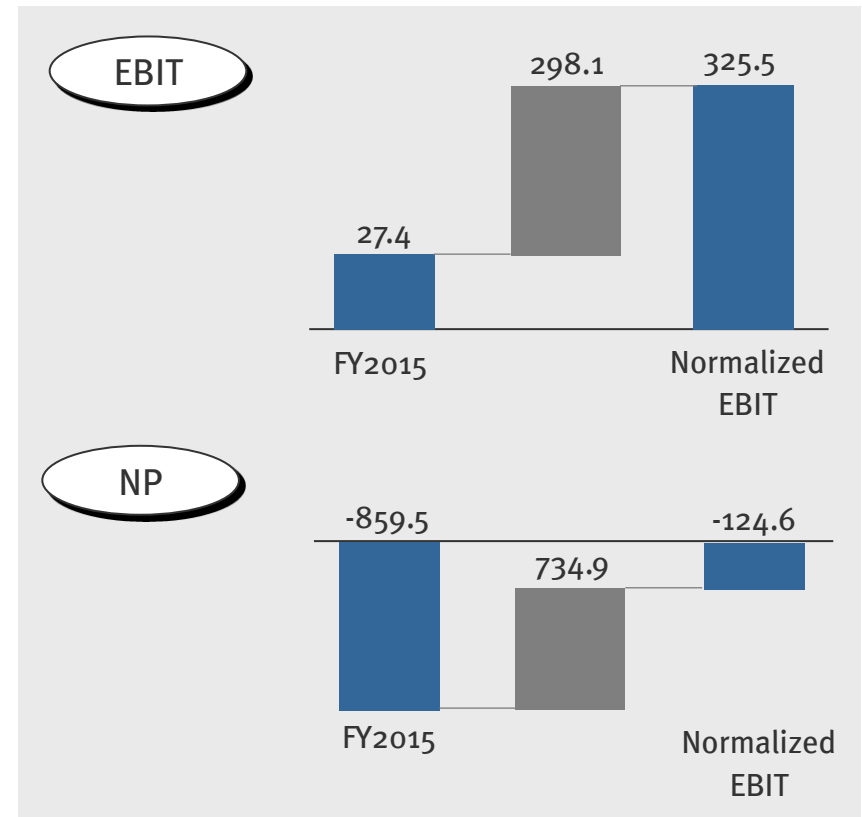
Impact in 4Q15

(Unit : KRW billion)



Impact in 2015

(Unit : KRW billion)

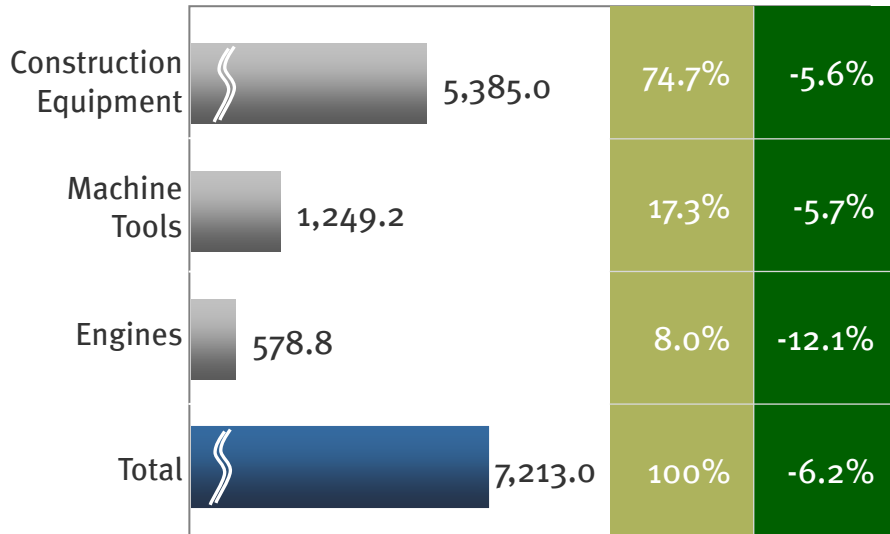


2015 divisional sales & EBIT

- CE: While DBI remained strong, sales and EBIT decreased as weakness deepened in other regions
- MT: Expanded marketing expenses and decline in new order primarily in US and Korea resulted decrease in sales and EBIT
- Engine: Although sales for CV(Commercial Vehicle) and captive sales for heavy segment were lower, EBIT remained comparable to last year due to increase in G2 engine shipment
- Normalized EBIT margin excluding restructuring costs is 4.5% in 2015

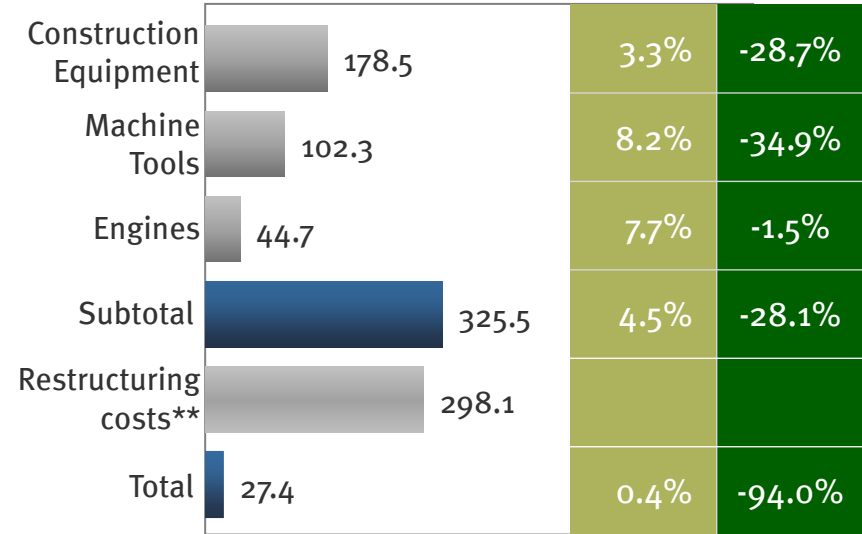
Sales

(Unit : KRW billion)
% of sales YoY



EBIT* & Margin*

(Unit : KRW billion)
EBIT margin YoY



* EBIT, Margin(%) and YoY growth excluding restructuring costs

** Restructuring costs :

① Workforce(171.7bil in total)
: CE 100.5bil. MT 29.4bil. Engine 41.8bil.

② Dealers 126.4bil in total

4Q15 divisional sales & EBIT

- Sales decreased in most regions except for NAO at DBI as unfavorable business environment deepened
- EBIT turned to negative due to decline in sales and restructuring costs related with workforce and dealers

Sales

(Unit : KRW billion)
% of sales YoY

Division	Sales (KRW billion)	% of sales	YoY
Construction Equipment	1,238.0	74.0%	-13.0%
Machine Tools	287.8	17.3%	-21.9%
Engines	144.1	8.7%	-21.7%
Total	1,669.9	100%	-15.5%

EBIT* & Margin*

(Unit : KRW billion)
EBIT margin YoY

Division	EBIT (KRW billion)	EBIT margin	YoY
Construction Equipment	-4.2	-0.3%	TR
Machine Tools	3.3	1.1%	-92.4%
Engines	20.0	13.9%	-14.1%
Subtotal	19.1	1.1%	-82.3%
Restructuring costs**	215.7		
Total	-196.6	-11.8%	TR

* EBIT, Margin(%) and YoY growth excluding one-off costs

** Restructuring costs :

① Workforce(103.1bil in total)
: CE 56.3bil. MT 15.0bil. Engine 31.8bil.

② Dealers 112.6bil in total

Financial structure - consol.

- Despite net debt decreased as a result of DBI Pre-IPO and increase in operating cash at DBI, total equity declined due to Net losses from restructuring costs

Balance Sheet

(Unit : KRW billion)

	2014*	3Q15	2015	YoY(amount)
Current Assets	4,266.8	4,424.2	3,876.0	-390.8
Fixed Assets	7,915.9	7,914.4	7,507.2	-408.7
Total Assets	12,182.7	12,338.6	11,383.2	-799.5
Total Liabilities	8,905.8	8,565.7	8,280.2	-625.6
- Net Debt	5,548.4	5,288.8	5,055.2	-493.2
Total Shareholders' Equity	3,276.9	3,772.9	3,103.0	-173.9
Liabilities/Equity Ratio	271.8%	227.0%	266.8%	-5%p

* In order to make it comparable, net debt in 2014 had been revised to include net debt of DCFL
(Financial statements of DCFL(Doosan (China) Financial Leasing Corp) are to be consolidated from 3Q15)

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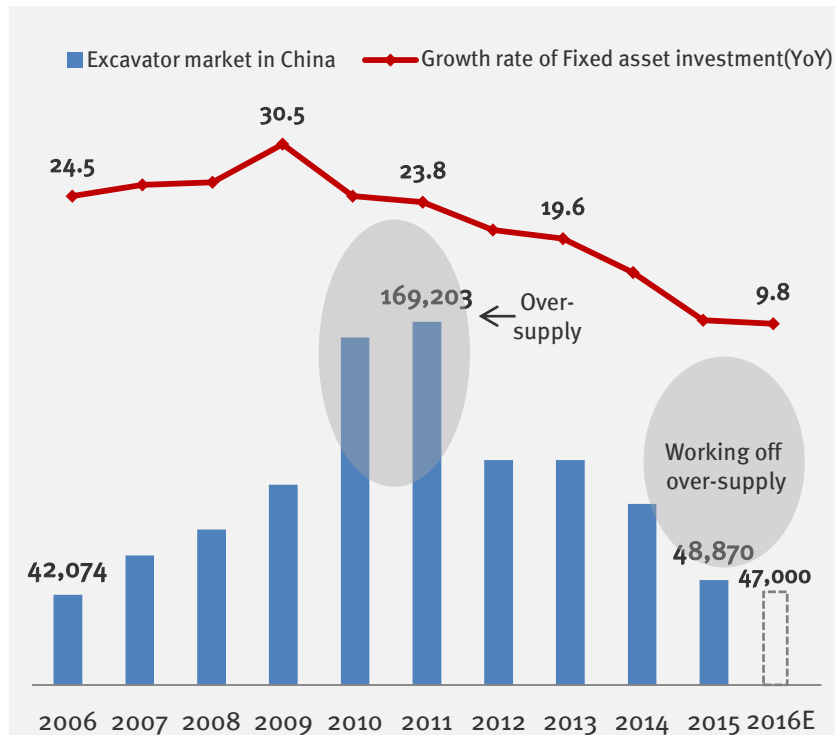
③ Improvement in financial structure

1 Market - Heavy

- China where the industry is low as 10 years ago, before the massive fixed asset investment began, seems to be almost over with working off over-supply
- 2016 operation plan is based on conservative outlook given delay in recovery of China/APEM
 - more conservative outlook than competitors** as for China

FAI and excavator shipments growth

(Unit : unit,%)

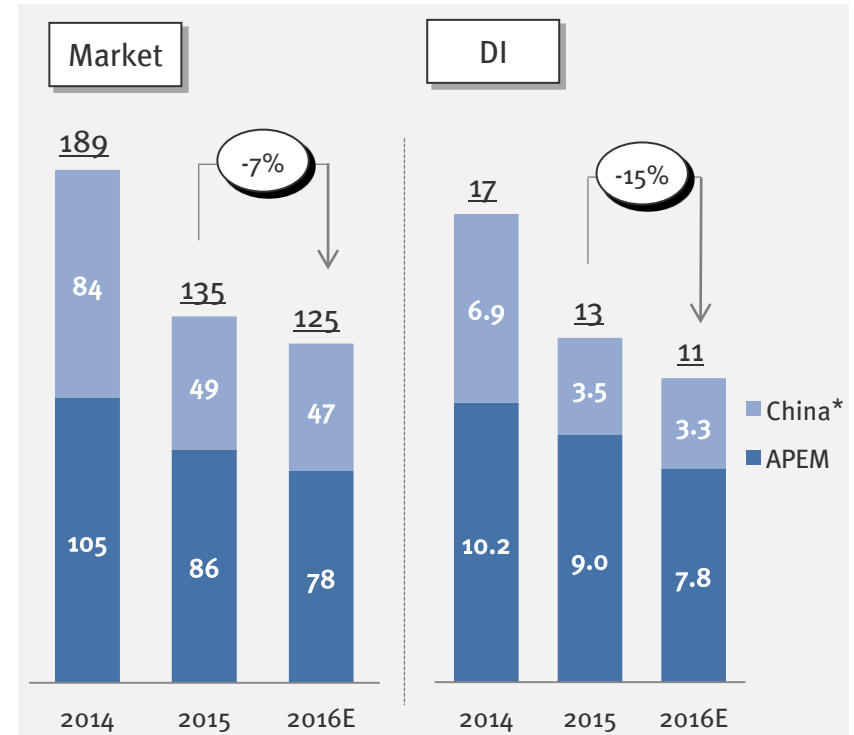


* Source: CCMA, : National Bureau of Statistics of China

** Volume outlook for China excavators : CCMA: 54,000, Co. K: 51,000, Co. H: 48,000, Co. K: 44,500

Regional outlook for Heavy

(Unit : '000 unit)



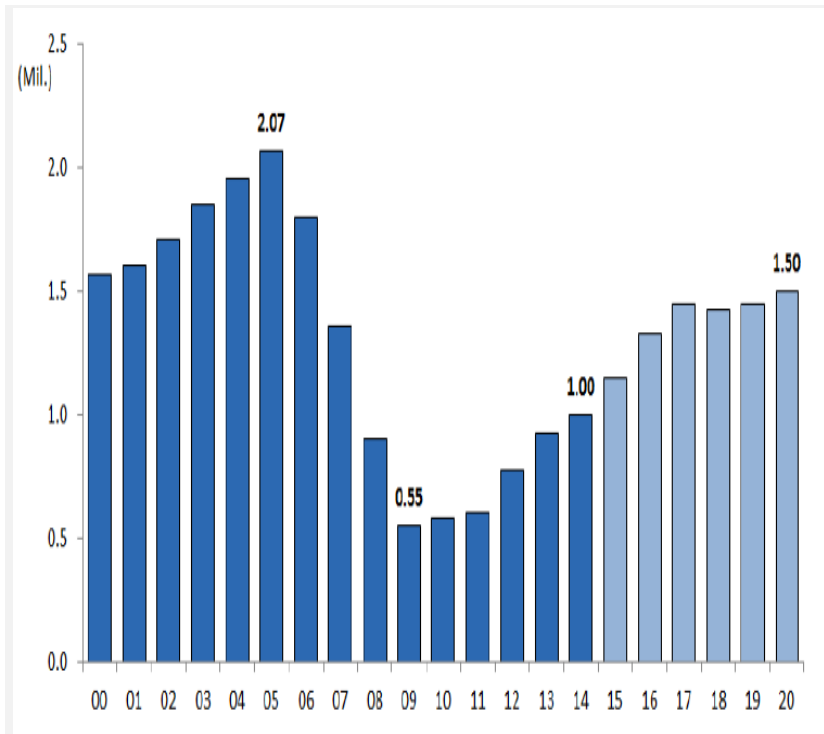
* Excluding wheel Loaders as for China

1 Market - Compact

- NAO is expected to be stable to positive on the back of improving housing market, and Europe should rebound driven by mitigation in southern Europe
- Compact industry should grow at a moderate level, nearly up to 200K in terms of volume, and DI is expected to grow about 5%
 - more sales of CTL products among dealers as demand is shifting to CTL

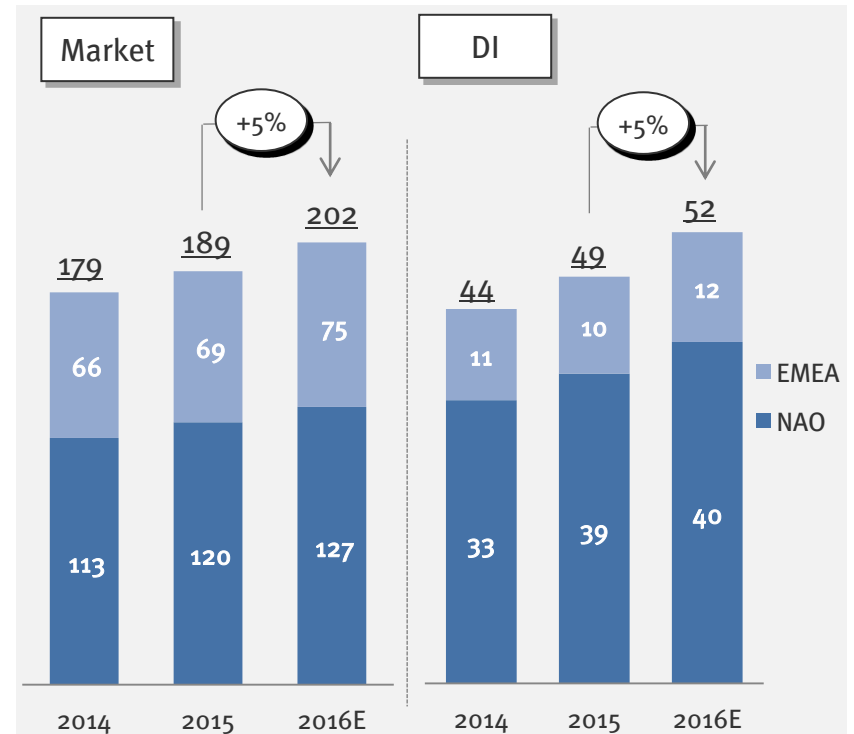
US Housing starts

(Unit : mil unit)



Regional outlook for Compact

(Unit : '000 unit)



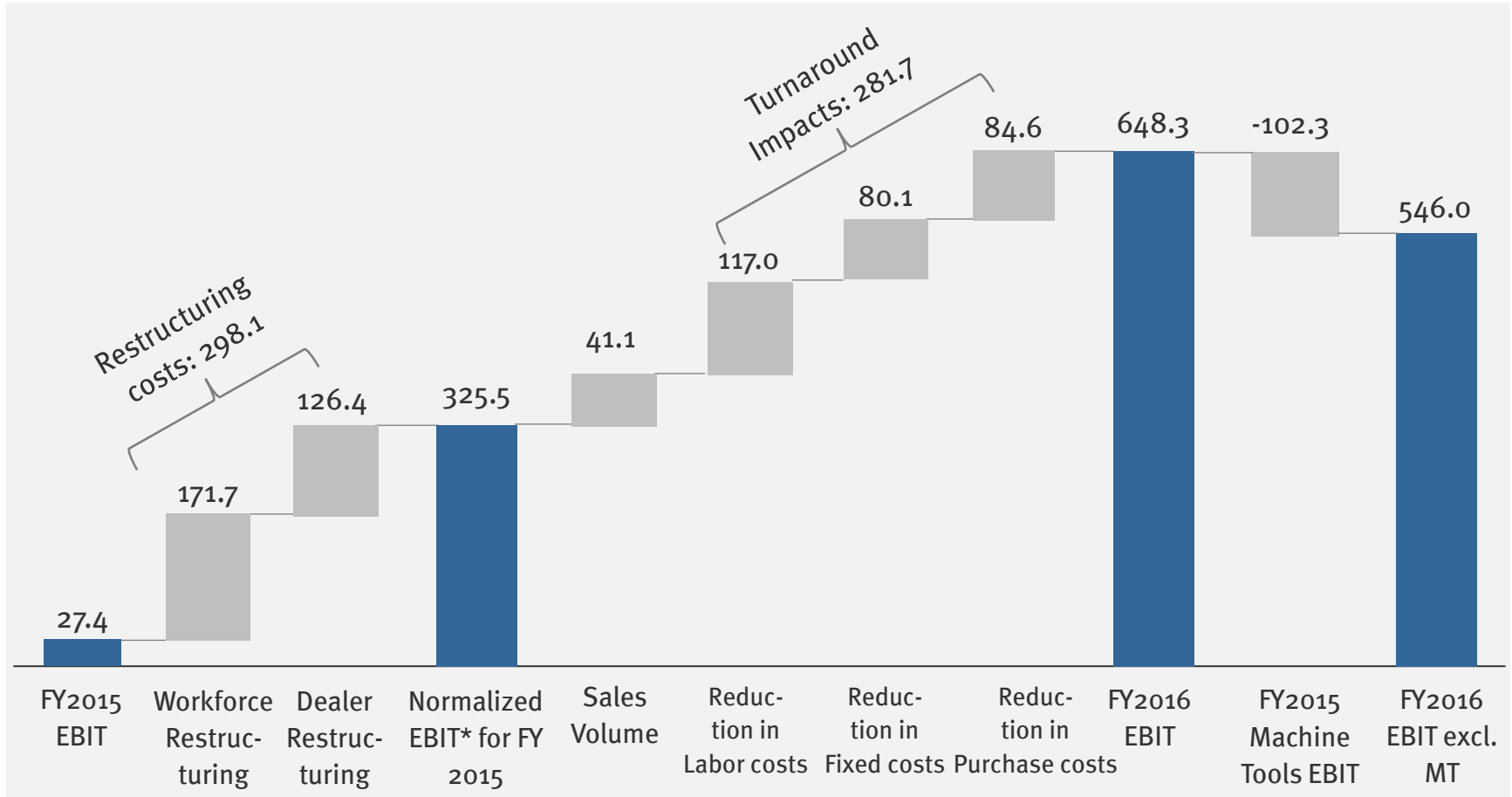
* Source: Bloomberg

② Profitability - Consolidated EBIT

- A significant improvement in EBIT is expected on the back of cost savings in workforce and impact from down-sized organization

Consolidated EBIT outlook

(Unit : KRW billion)

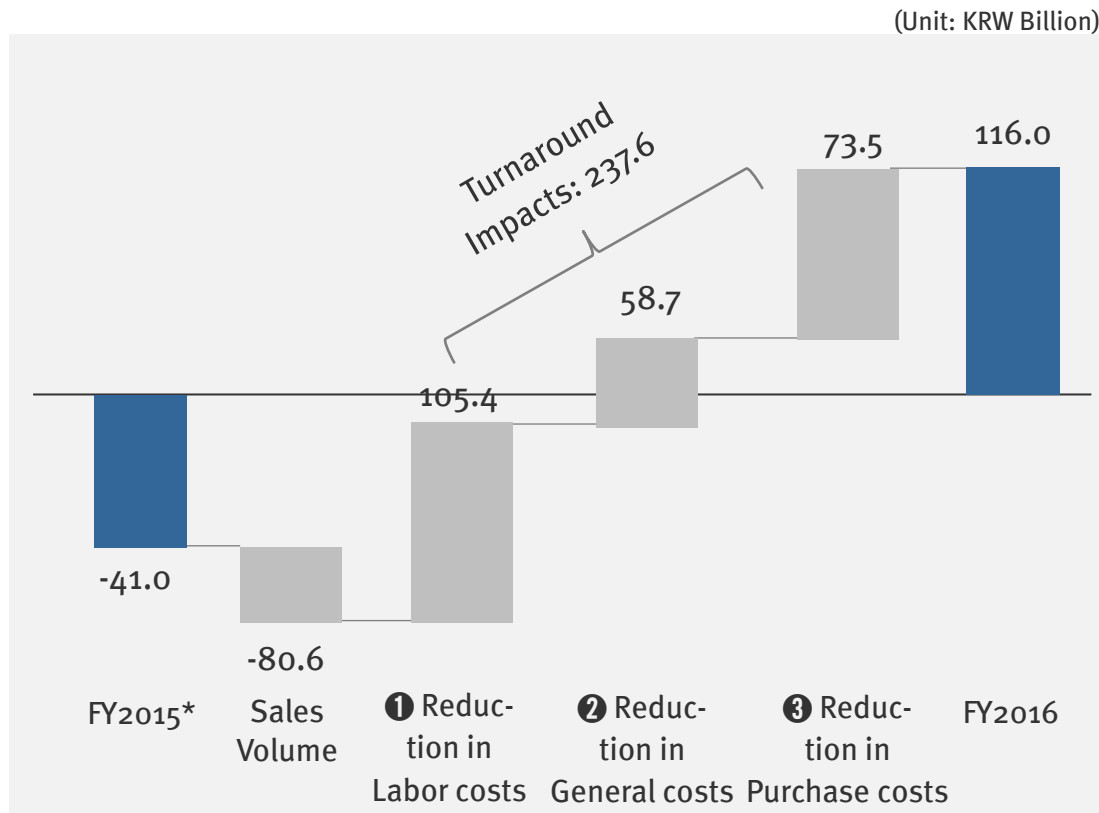


* Excluding restructuring and one-off costs

② Profitability - Headquarter EBIT(after the Machine tools sale)

- A wide range of restructuring including workforce as well as business structure had completed
- Headquarter should turnaround even without top-line growth as a result of reduction in ① labor costs ② general costs ③ purchase costs

EBIT outlook for Headquarter



Details	
① Reduction in Labor costs	• app. 1,500 employees
② Reduction in General costs	• Impact from down-sized organization
③ Reduction in Purchase costs	• Materialized about 70% of cost reduction by contract

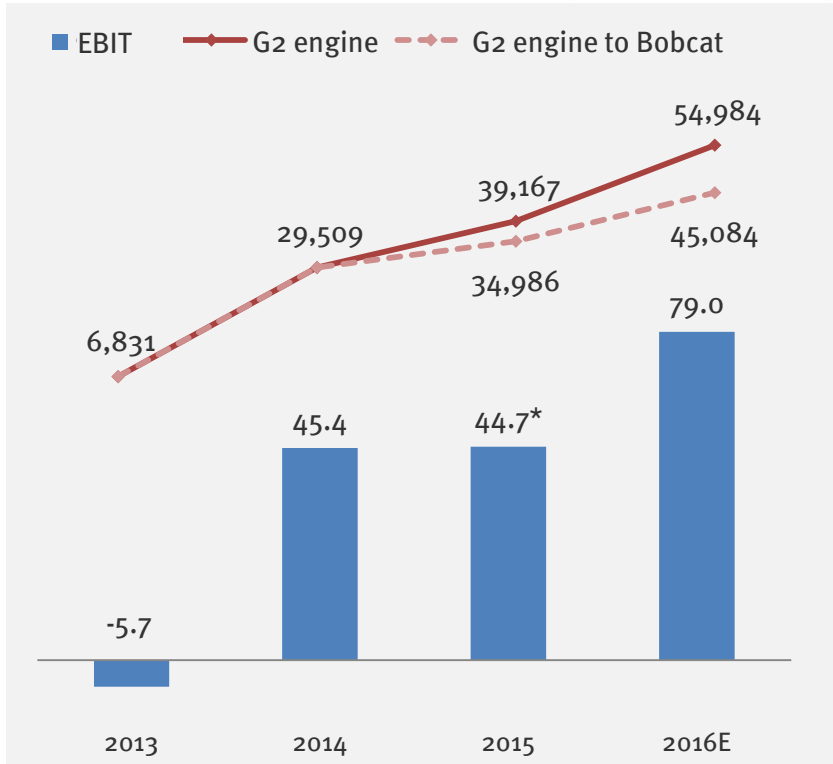
* Normalized EBIT excluding restructuring MT contribution and one-off costs

2 Profitability - Engine BG EBIT

- Expect Engine BG to increase in EBIT followed by expansion of G2 engine sales
- Secure potential growth through recent MOU of G2 engine to external sales

EBIT and G2 engine shipment trend

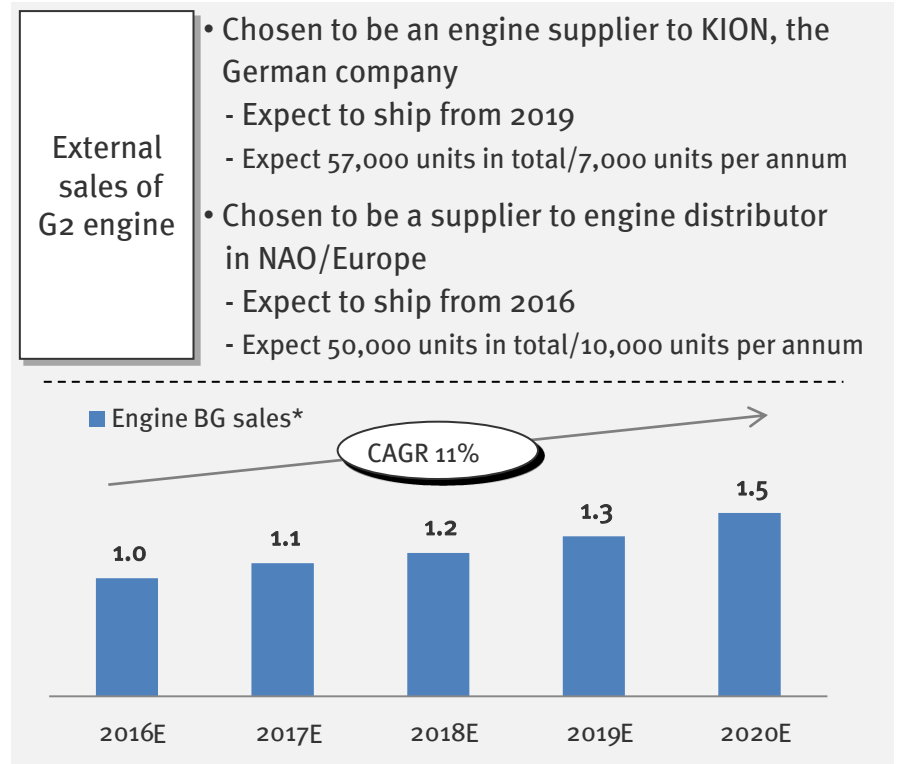
(Unit : unit, KRW billion)



* Normalized EBIT excluding restructuring costs

Growth potential of G2 engine business

(Unit : KRW trillion)



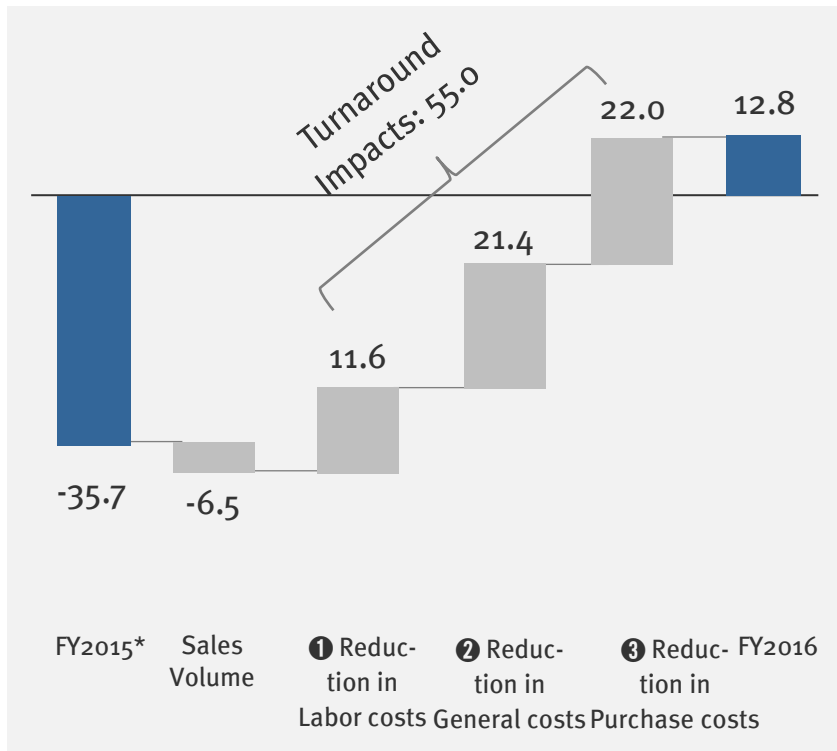
* Including internal sales

② Profitability - China EBIT

- China is expected to be normalized by completion of proactive actions against continued downturn such as organization downsizing as well as dealer restructuring
- Structural turnaround is secured even with further deteriorated circumstances, as a result of significantly lower in BEP units

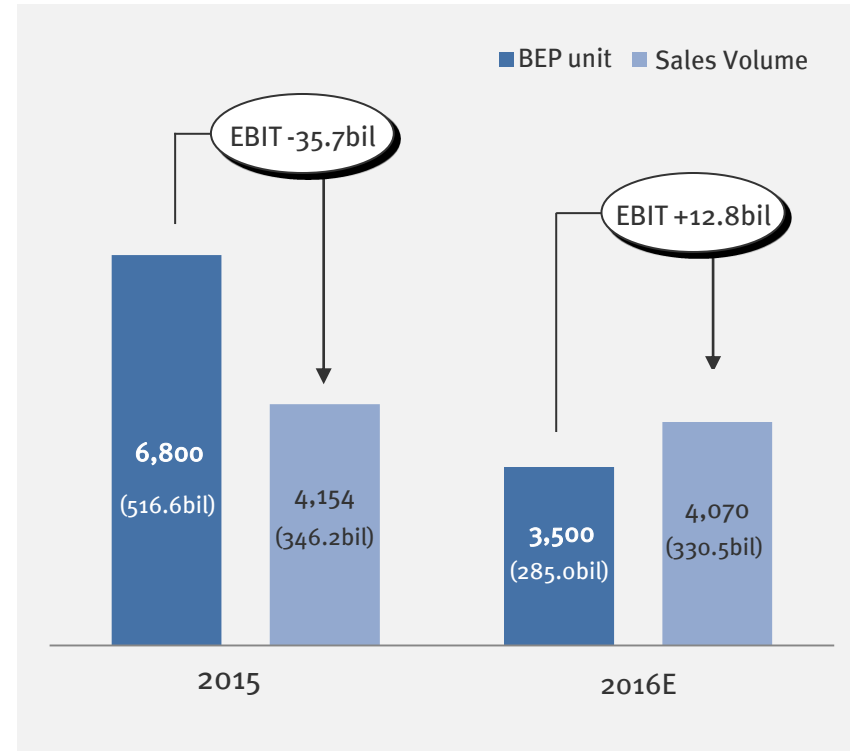
EBIT outlook for China

(Unit: KRW Billion)



* Normalized EBIT excluding restructuring and one-off costs

DI's BEP level and expected shipment* in China



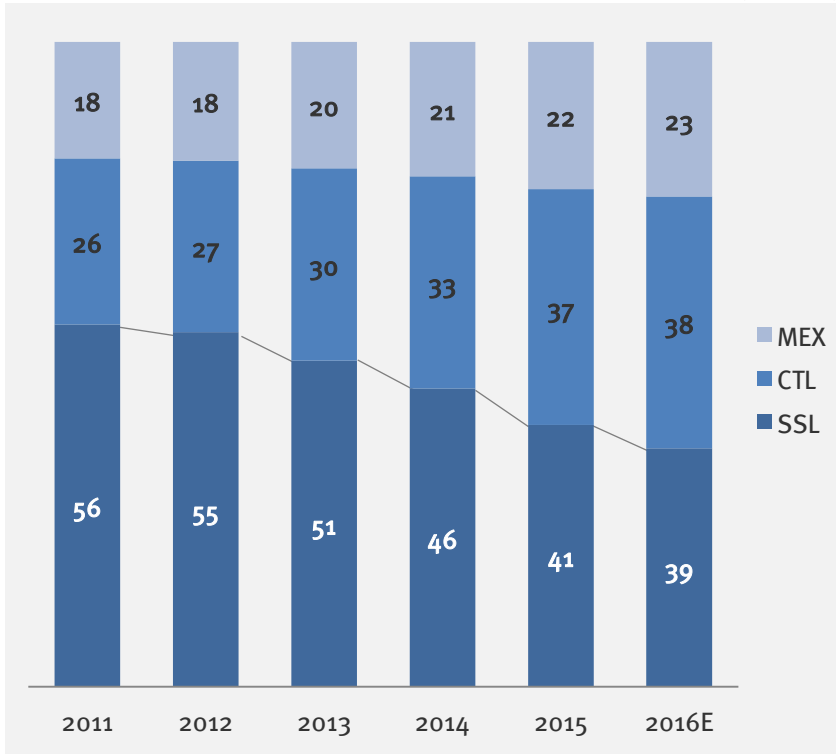
* Including 3,300 units of excavator, while corresponding BEP units are 2,700

② Profitability - DBI EBIT

- Expect NAO to continuously improve product mix with expansion of CTL and MEX
- Expect EBIT to grow additionally as a result of favorable impacts of ① product mix ② lower material costs ③ currency(KRW depreciation)

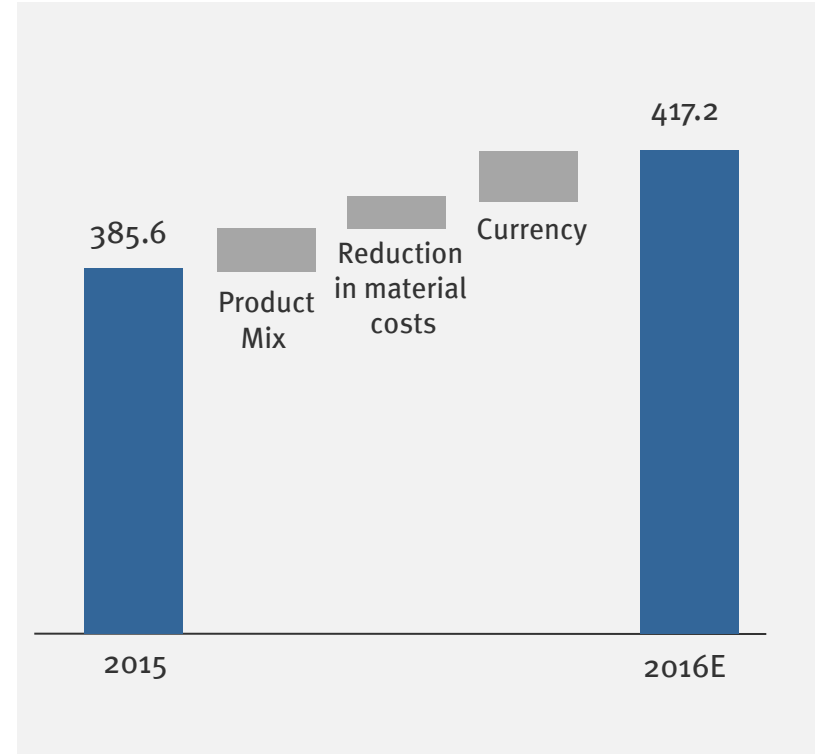
Product mix trend in NAO

(Unit : %)



EBIT outlook for DBI

(Unit : KRW billion)

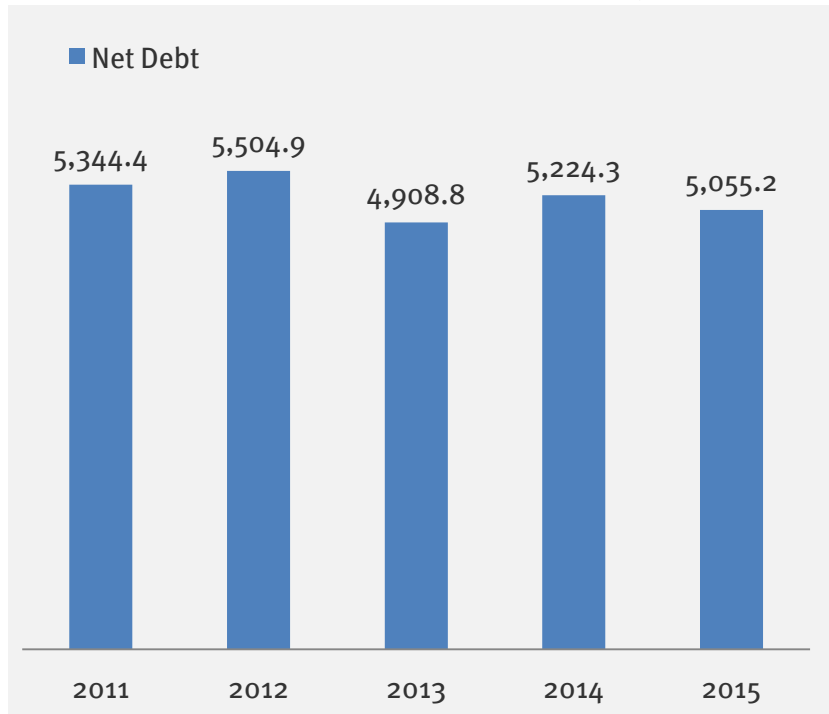


③ Improvement in financial structure - Net Debt and Net Interest expenses

- Although we have continuously conducted activities for enhanced financial position, further improvement is needed given the environment in global financial markets

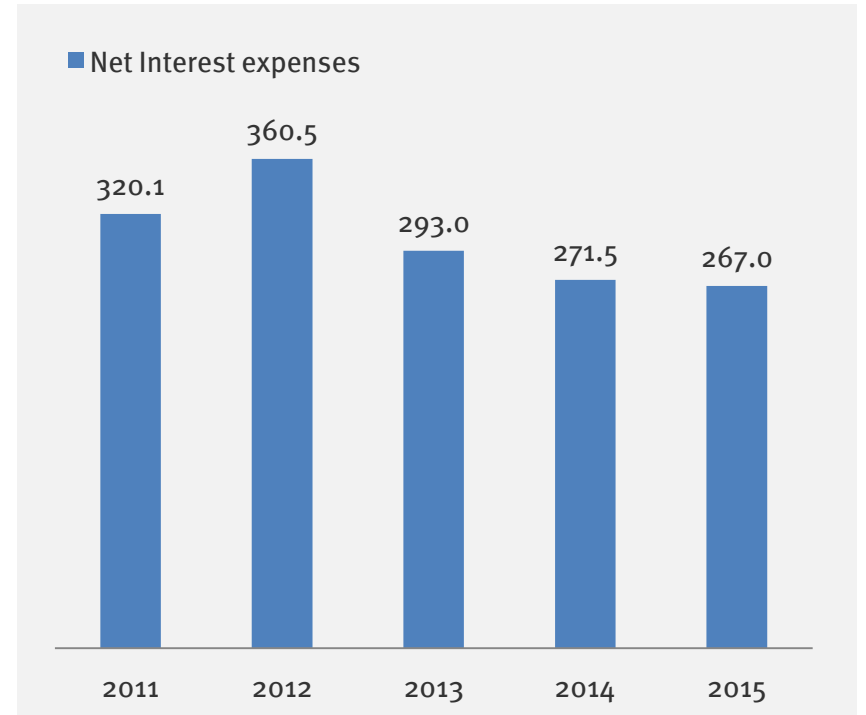
Net Debt trend

(Unit : KRW billion)



Net Interest expenses trend

(Unit : KRW billion)

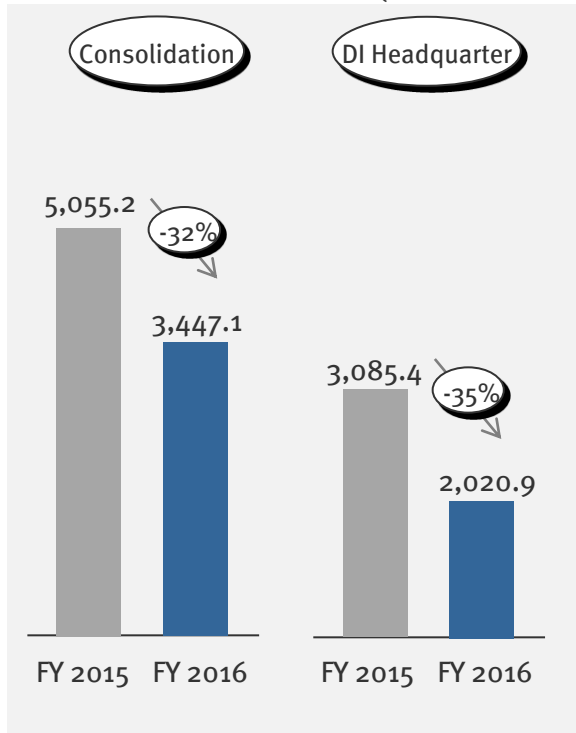


3 Improvement in financial structure - after MT sale

- We anticipate significant decrease in net debt and interest expense after Machine Tools sale
- Along with improvement in both operational and financial performance, we expect interest coverage ratio should be able to reach 2.3X on a consolidated basis and 1.0X as for headquarter

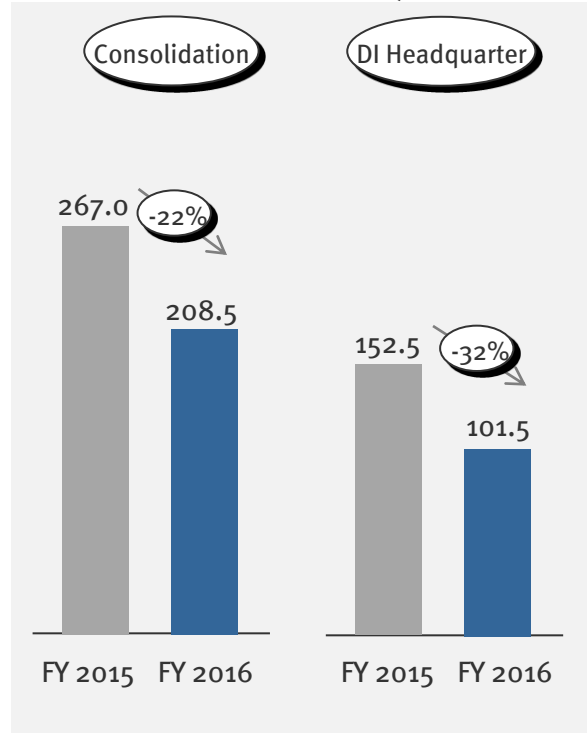
Expected net debt

(Unit : KRW billion)



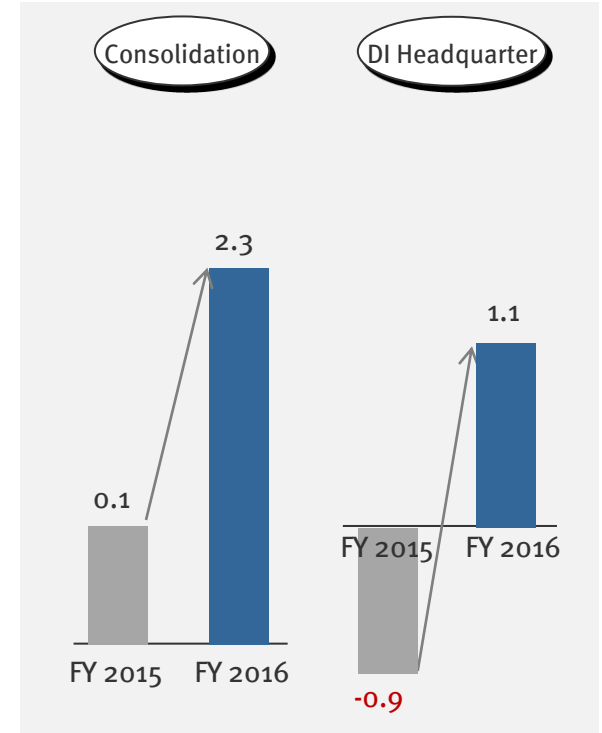
Expected net interest expenses

(Unit : KRW billion)



Expected interest coverage ratio*

(Unit : X)



* Based on total debt

③ Improvement in financial structure - managing corporate bonds maturities

- Secure cash and cash equivalent about KRW 1.0tril including overseas subsidiaries as of the end of 2015 regardless of Machine Tools sale, which is more than sufficient to meet debt amounts that mature in 2016

Debt maturities in 2016

(Unit : KRW billion)

Classification	1H16	2H16	Total
Corporate bonds(in KRW)	165.0	230.0	395.0
Corporate bonds (in Foreign currency)		420.0	420.0
Total	165.0	650.0	815.0

Plans for paying down debt in 2016

1H16

- 1 Corporate bonds in KRW: 165.0bil
(KRW 75.0bil had been paid off among the total)
- redeemable with KRW 1.0tril of cash

2H16

- 1 Corporate bonds in USD: KRW420.0bil
- can be rolled over since backed by banks
- 2 Corporate bonds in KRW: 230.0bil
- redeemable with about KRW100.0bil of credit line and residual cash
- expect KRW400bil of free cash in addition



[Appendix] Business segment information

• DBI's quarterly results*

(Unit : KRW billion)

	4Q14	1Q15	2Q15	3Q15	4Q15
Sales	995.7	941.1	1,079.9	1,024.4	995.4
EBIT	118.9	92.0	131.3	90.0	72.3
EBIT margin	11.9%	9.8%	12.2%	8.8%	7.3%
EBIT excl. Tax Balance	73.1	83.1	117.8	76.5	66.3
EBIT margin excl. Tax Balance	7.3%	8.8%	10.9%	7.5%	6.7%

* Annual Tax balance settlement, applied to heavy products which used to be reflected only in the 4th quarter until 2014 had been changed to settle every quarter from 2015

• Construction equipment BG details

(Unit : KRW billion)

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	2014	2015
China	289.0	212.0	92.0	118.7	105.7	114.4	64.4	61.8	711.7	346.2
APEM	298.8	382.9	355.6	332.3	334.6	260.7	207.6	165.8	1,369.7	968.7
NAO	482.0	565.1	536.1	625.7	646.4	675.6	659.2	645.0	2,208.8	2,626.2
EMEA	227.2	302.9	245.7	258.5	202.5	267.4	222.2	230.2	1,034.2	922.2
Others *	79.9	125.0	88.7	88.0	90.5	149.9	146.0	135.3	381.5	521.6
TOTAL	1,376.8	1,587.9	1,318.1	1,423.1	1,379.7	1,467.9	1,299.4	1,238.0	5,705.9	5,385.0

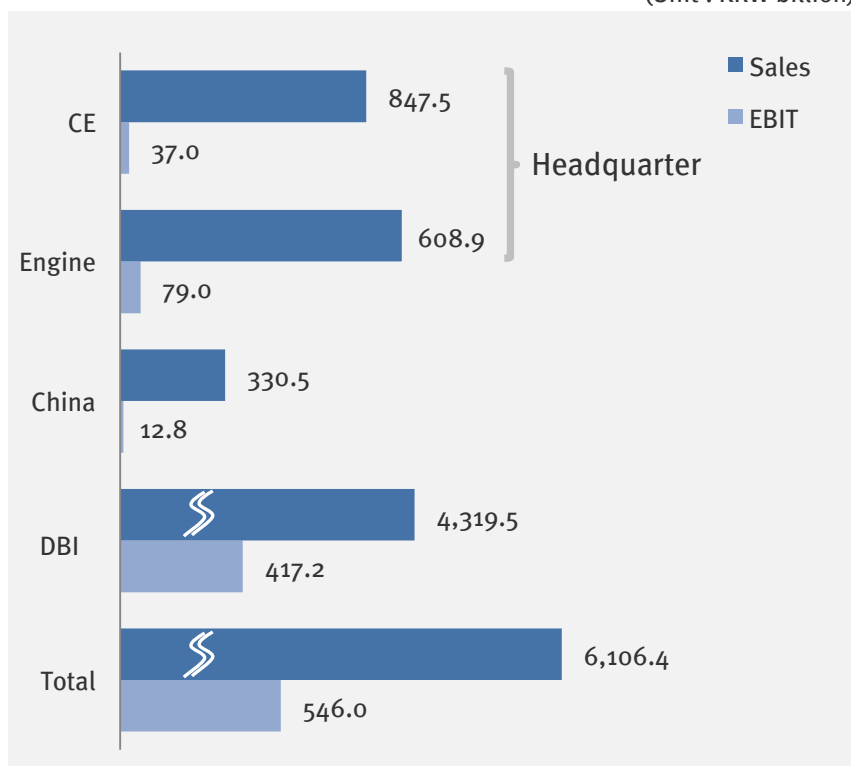
* Including sales from DIPP, ADT, HQ and Compact sales from China/APEM

[Appendix] 2016 Outlook (excluding Machine Tools)

- As a result of turnaround of loss-making regions such as China/APEM, profitable earning trends across all divisions are expected in 2016
- In spite of limited top line growth given delayed recovery in emerging market, substantial improvement in EBIT is expected primarily driven by headquarter turnaround

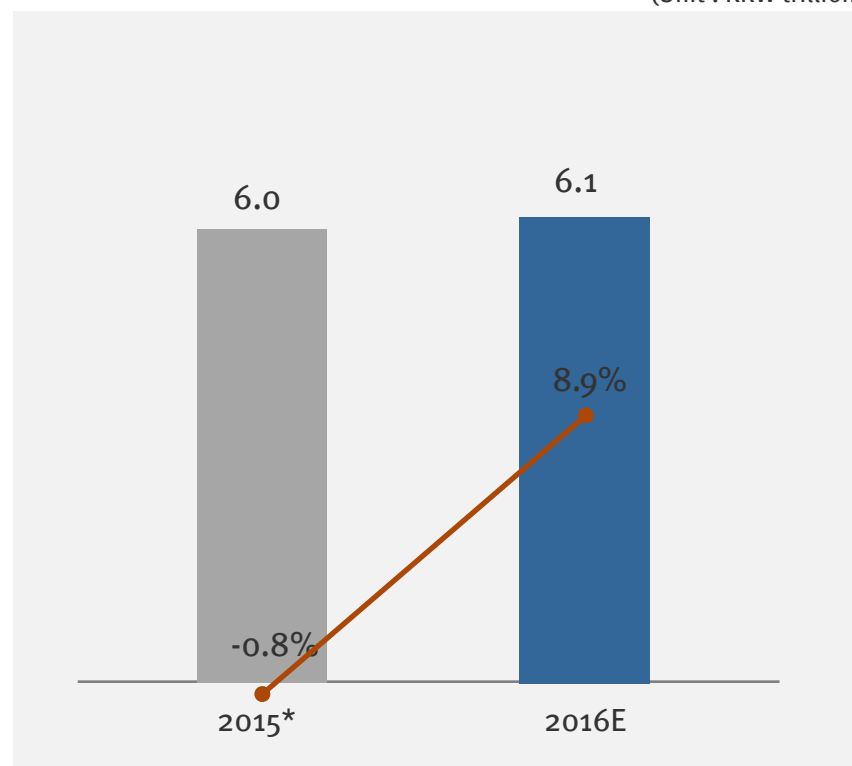
Sales EBIT outlook by division

(Unit : KRW billion)



Sales and EBIT margin outlook

(Unit : KRW trillion)



* Excluding Sales and EBIT of Machine tools division