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2022 4Q Earnings Release

February 2023



Disclaimer

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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Table of Contents

1

2022 Results

2

2023 Outlook

2022 Results

- Sales increased +4% YoY as demand for construction equipment and engines recovered thanks to global infrastructure investment and raw material/oil price hikes.
- Despite rising raw material prices and freight rates, EBIT grew 26% YoY thanks to price hike and improved regional/product mix.

Income Statement

(Unit : KRW billion)

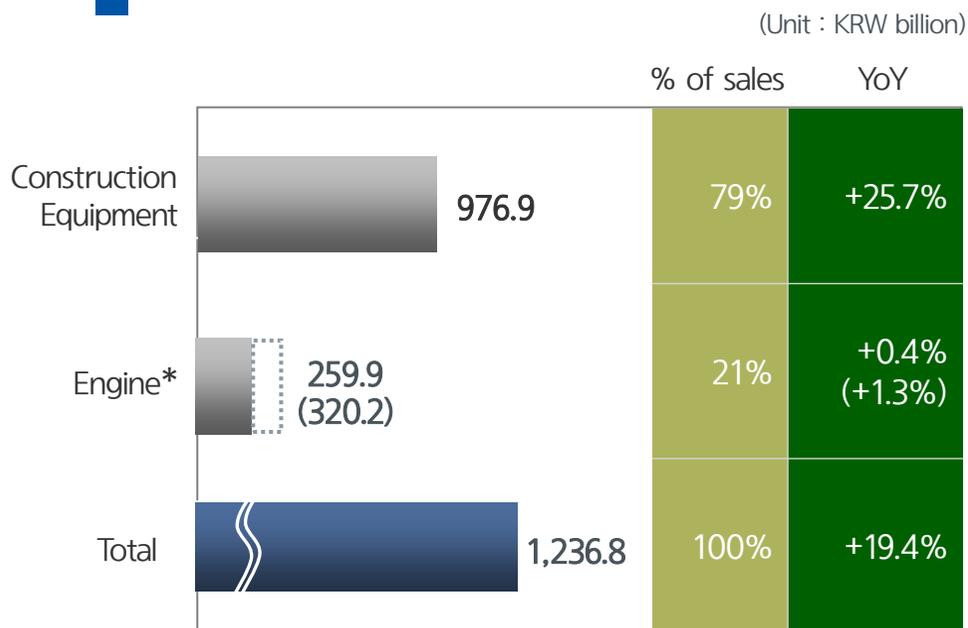
	4Q21	4Q22	YoY	2021	2022	YoY
Sales	1,036.0	1,236.8	+19.4%	4,593.7	4,756.1	+3.5%
EBIT	11.8	66.4	+461.8%	264.5	332.5	+25.7%
EBIT margin(%)	1.1%	5.4%	+4.3%p	5.8%	7.0%	+1.2%p
(Net Financial Cost)	20.3	15.0	-26.1%	86.1	65.9	-23.5%
(F/X gains/losses)	0.7	-45.2	-	46.2	18.6	-59.7%
Pretax Profit	-45.7	12.7	-	174.0	278.7	+60.2%
Profit from Discontinued Operation	221.3		-	456.3		-
Net Profit	178.6*	32.7	-81.7%	567.8*	229.6	-59.6%

* Deficit carried forward(KRW 207.1 bn), as a result of the spin-off, was recognized as corporate tax income.

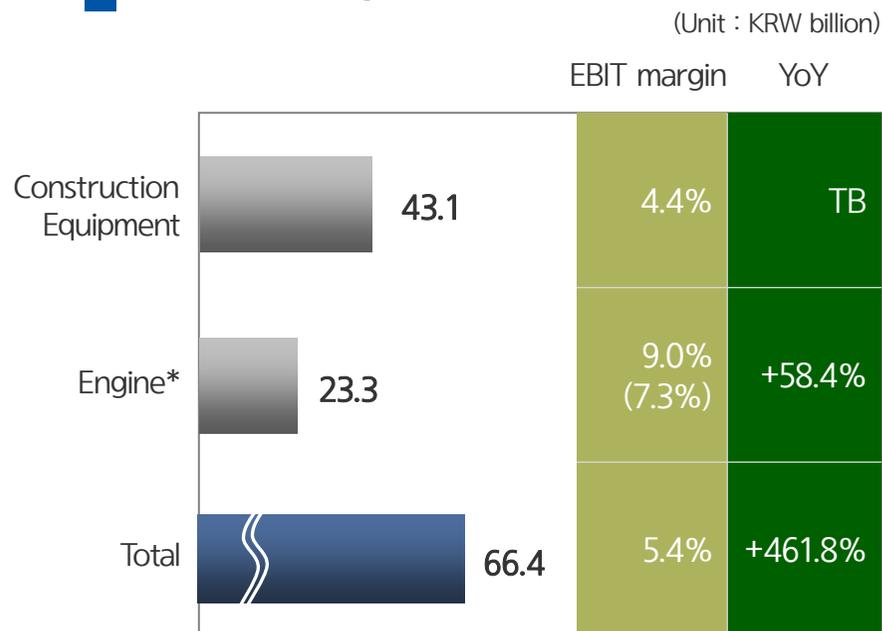
4Q22 Sales & EBIT by division

- Construction Equipment : Despite sluggish demand in China, sales grew +26% YoY thanks to favorable trends in emerging and developed markets. EBIT also improved as a result of price hike and demand carried over from 1H, which occurred due to procurement and logistics issues.
- Engine : Despite the high comparison base, sales remained steady due to strong engine demand for construction equipment, industrial vehicle and defense vehicles. EBIT surged in line with price hike and product mix improvement.

Sales



EBIT & Margin



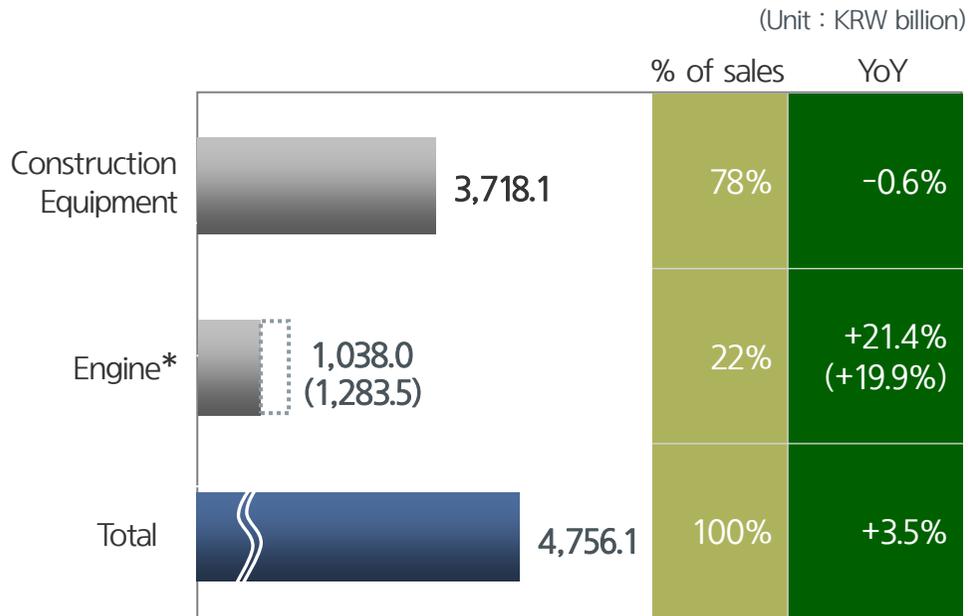
Note : Sales breakdown based on 3rd party revenue

* Numbers in parenthesis are based on total sales of engine business, which includes internal sales

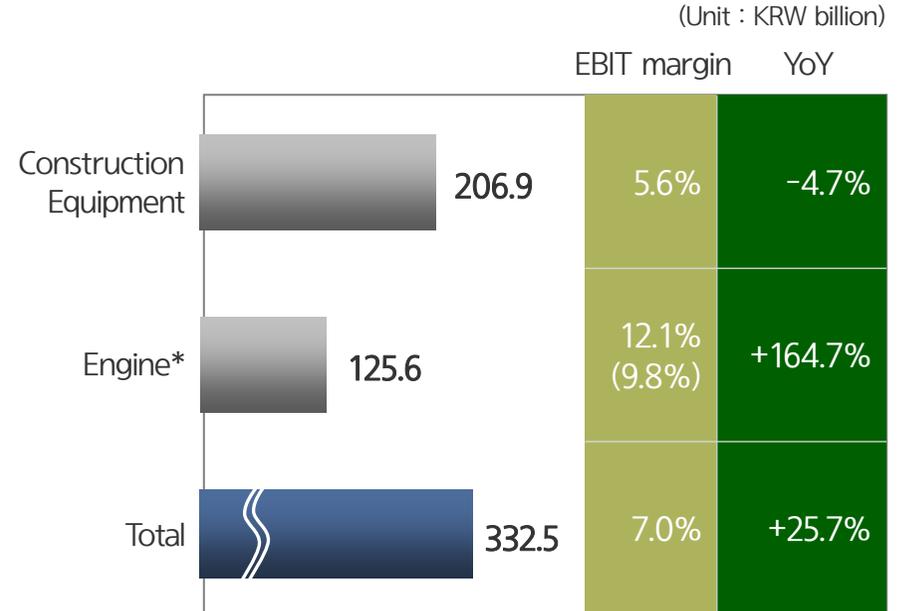
2022 Sales & EBIT by division

- Construction Equipment : Sales were similar to last year, as strong demand in developed and emerging market made up for the weakness in China. However, EBIT declined due to weakness in China and cost pressure.
- Engine : Sales grew as a result of demand from construction equipment business and third-party engine orders for generator and industrial usages. EBIT continued to increase alongside solid topline growth.

Sales



EBIT & Margin



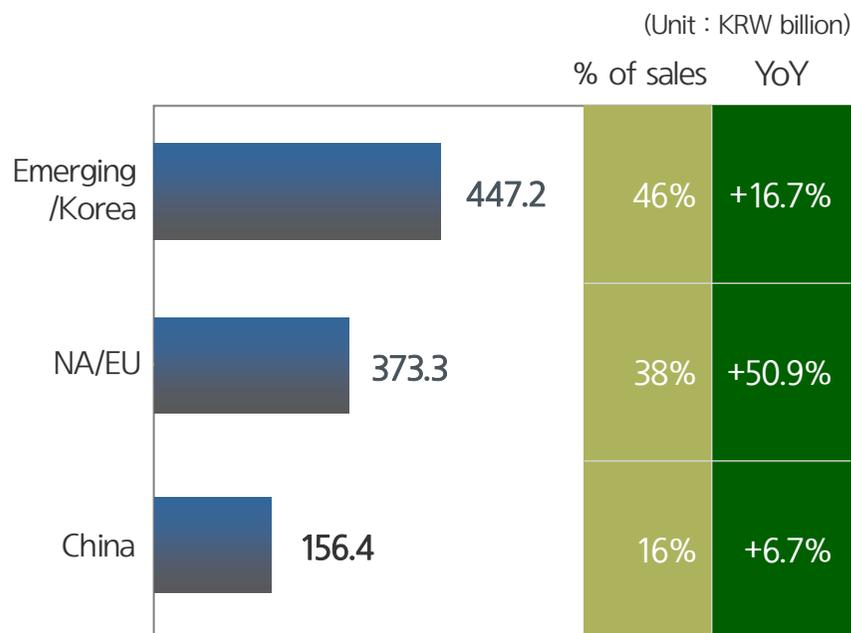
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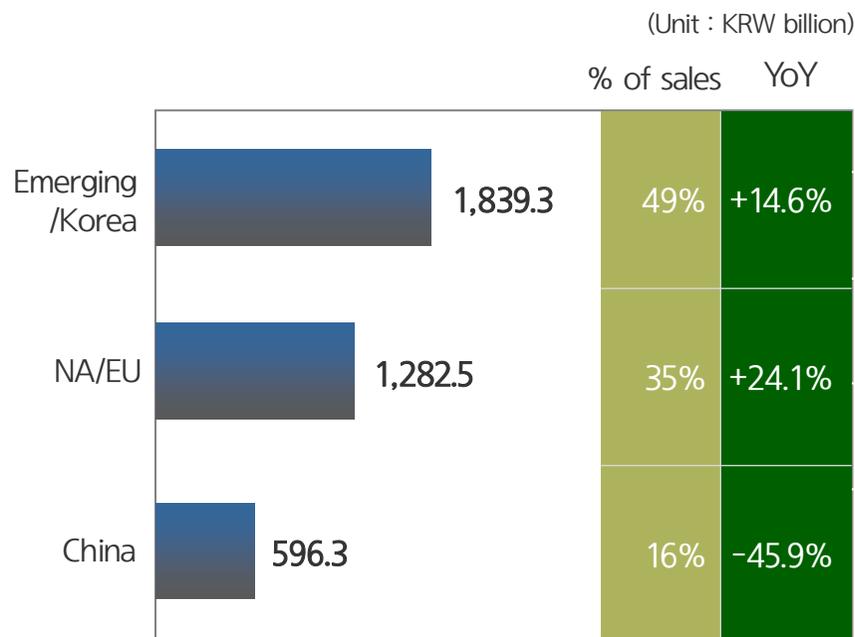
Regional breakdown (Construction Equipment)

- Emerging/Korea : Sales grew in all regions thanks to rising raw material prices and government-led stimulus measures. Particular growths were seen in resource-rich countries in Latin America and Middle East.
- NA/EU : Demand remained strong due to infrastructure investment and rental demand. Also, demand carried over from 1H contributed towards improvement in both sales and profitability.
- China : Sales rebounded in 4Q due to the low comparison base last year and pre-order of construction equipment prior to the change in emission standards.

CE regional breakdown (4Q22)



CE regional breakdown (2022)



Financial structure

- Net debt deteriorated marginally from KRW1.1tr at end-2021 to KRW1.2tr at end-2022 due to corporate taxes related to the spin-off merger(KRW210.5bn). However, if excluded, actual net debt decreased. Liabilities-to-equity ratio fell from 249% at end-2021 to 190% at end-2022 thanks to increase in net profit.
- Going forward, we expect to lower net debt to less than KRW1tr at end-2023 in line with the debt maturity schedule.

Balance Sheet

(Unit : KRW billion)

	2020	3Q21 (Post-spin-off)	2021	2022	Compared to 2021
Current Assets	5,049.6	3,177.3	3,239.9	3,130.9	-109.0
Fixed Assets	6,977.3	1,592.6	1,542.4	1,605.8	+63.4
Total Assets	12,026.9	4,769.9	4,782.3	4,736.7	-45.6
Total Liabilities	7,537.9	3,780.4	3,412.5	3,101.6	-310.9
- Net Debt	2,505.5	1,545.1	1,124.8	1,220.3	+95.5
Total Shareholder's Equity	4,489.0	989.5	1,369.8	1,635.1	+265.3
Liabilities/Equity Ratio	167.9%	382.1%	249.1%	189.7%	-59.4%p
Net Debt/Equity Ratio	55.8%	156.1%	82.1%	74.6%	-7.5%p

Table of Contents

1 2022 Results

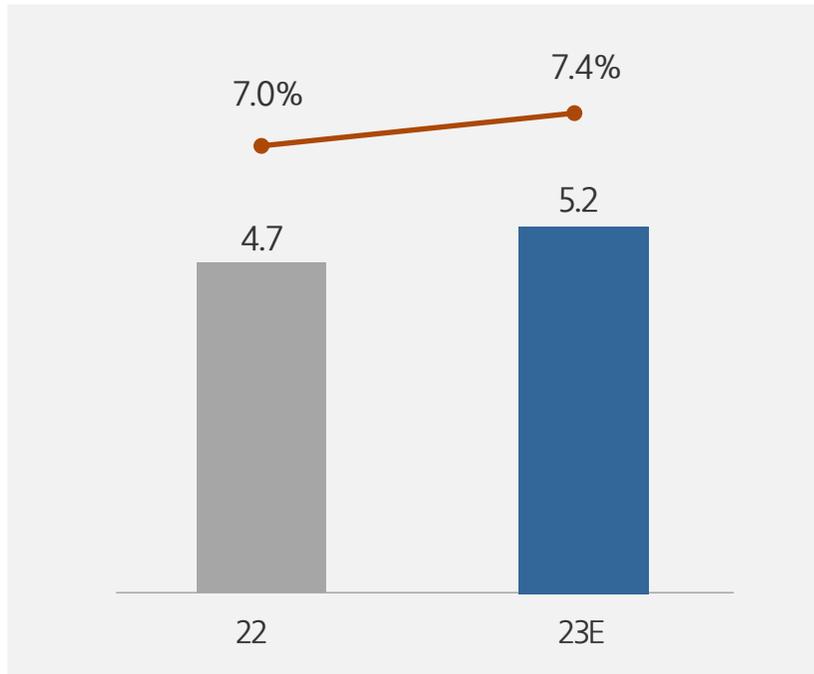
2 2023 Outlook

2023 Outlook

- Sales is forecasted to grow by 9% YoY to KRW 5.2tr thanks to growth in all businesses.
- While demand should remain solid thanks to global infrastructure investment and mining activities, EBIT is expected to grow +16% YoY to KRW 384.4bn, based on growing construction equipment demand in developed markets and expansion in engine business. Our EBIT projection also assumes price increase and product mix improvement.

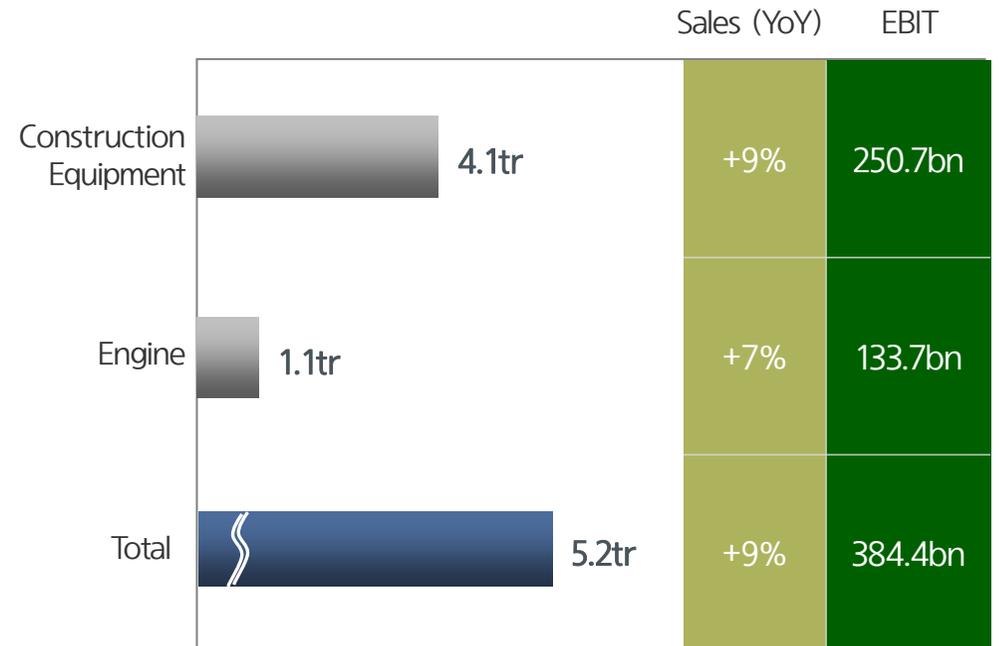
Sales and EBIT Margin

(Unit : KRW tr)



Sales and EBIT by Business

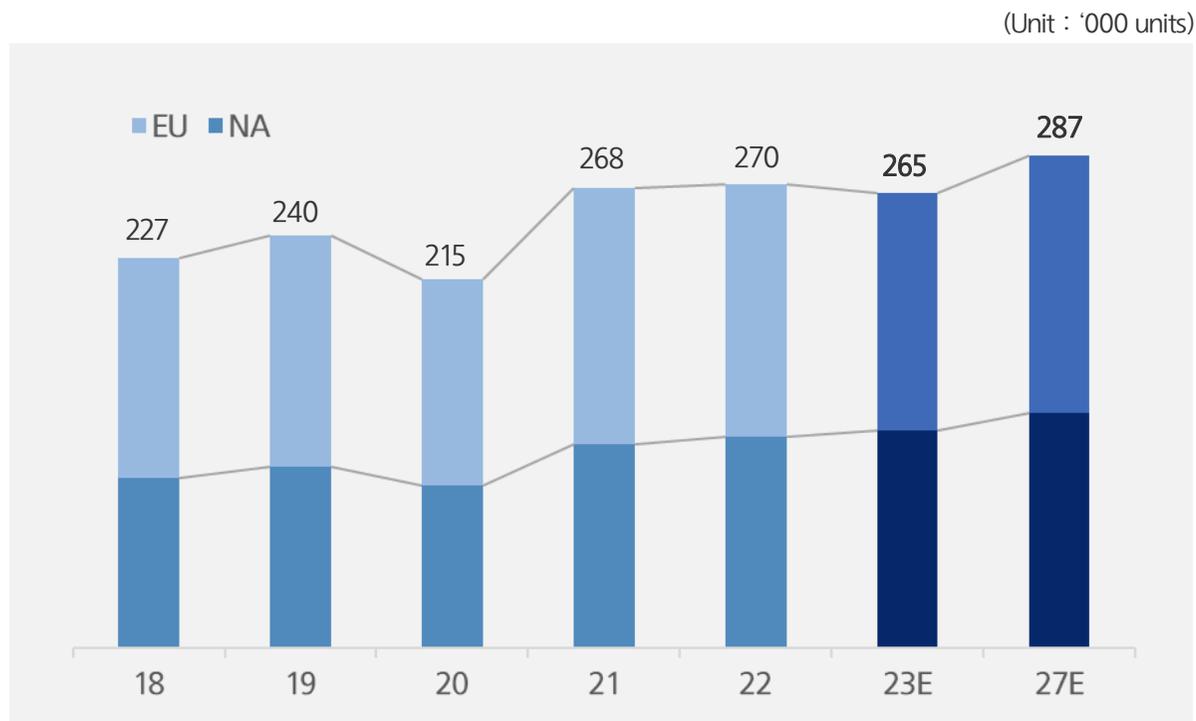
(Unit : KRW)



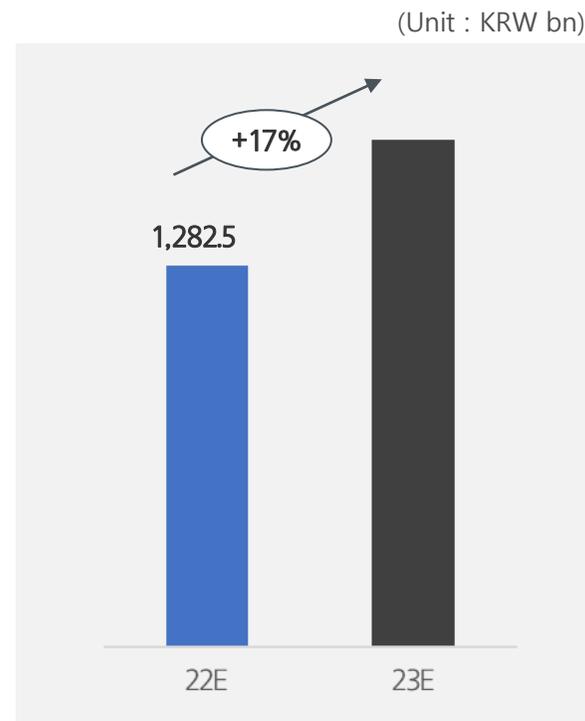
Construction Equipment (NA/EU)

- [Market Outlook] Demand in Europe is expected to decline in 2023 due to energy shortage following prolonged war between Russia-Ukraine and lower industry-wide demand and should gradually recover until 2027. However, demand in North America is expected to grow thanks to active infrastructure investment and rental demand.
- [Sales Outlook] Sales are expected to grow +17% YoY as a result of improved channel competitiveness via additional dealers in North America and new sales subsidiaries in Europe, as well as enhanced product line-up and price hikes.

NA/EU - Market Outlook



NA/EU - Sales Outlook

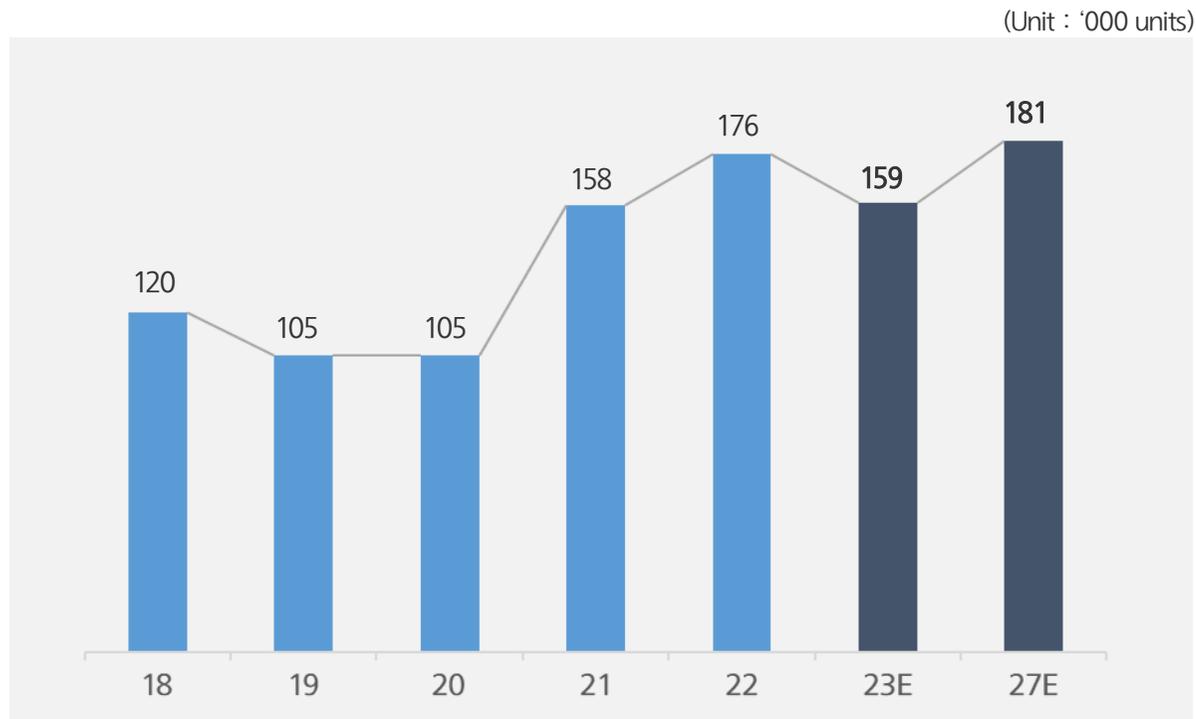


* Source: Company source

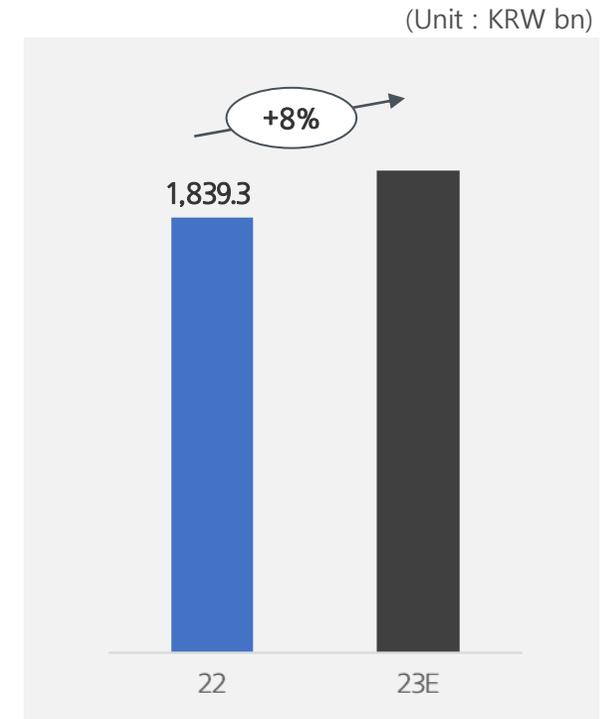
Construction Equipment (Emerging/Korea)

- [Market Outlook] In view of strong market growth for two consecutive years stemming from infrastructure investment and raw material price hike, coupled with this year's quantitative tightening, we expect demand to decline in 2023, then gradually recover in 2027.
- [Sales Outlook] HDI plan to capture demand by securing additional dealers in the region, expand channel coverage and develop products more suitable for emerging markets. Profitability should also improve with price realization.

Emerging - Market Outlook



EM/Korea - Sales Outlook

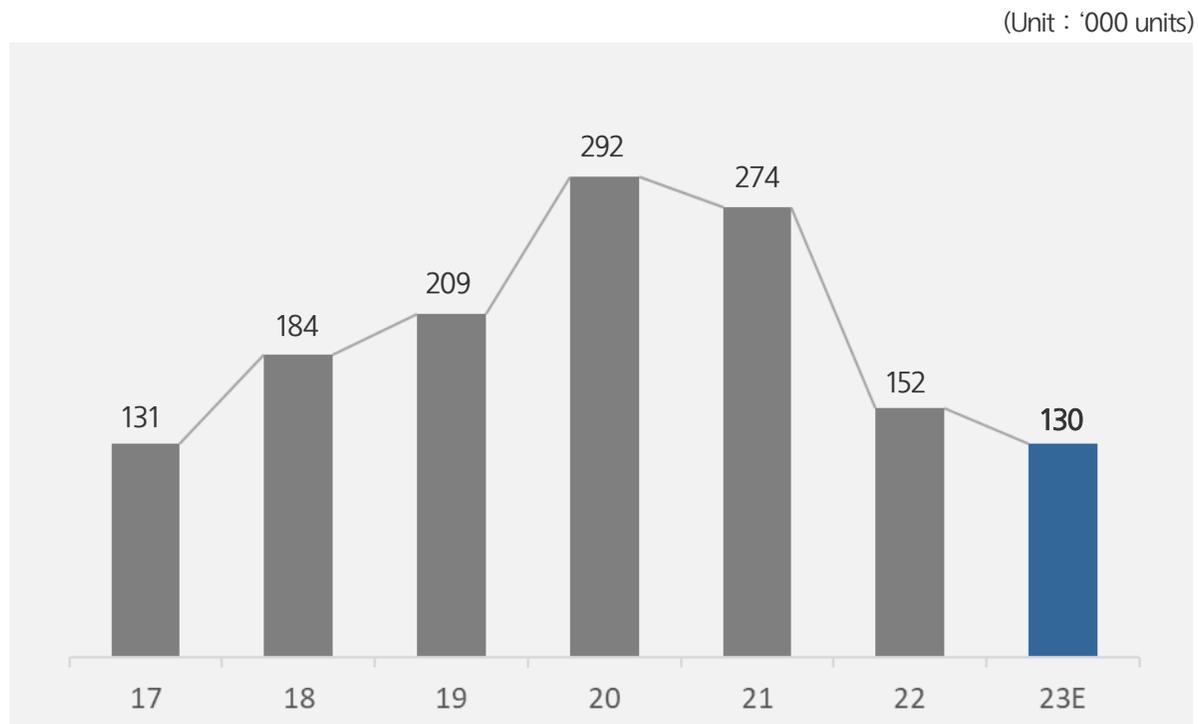


* Source: Company source

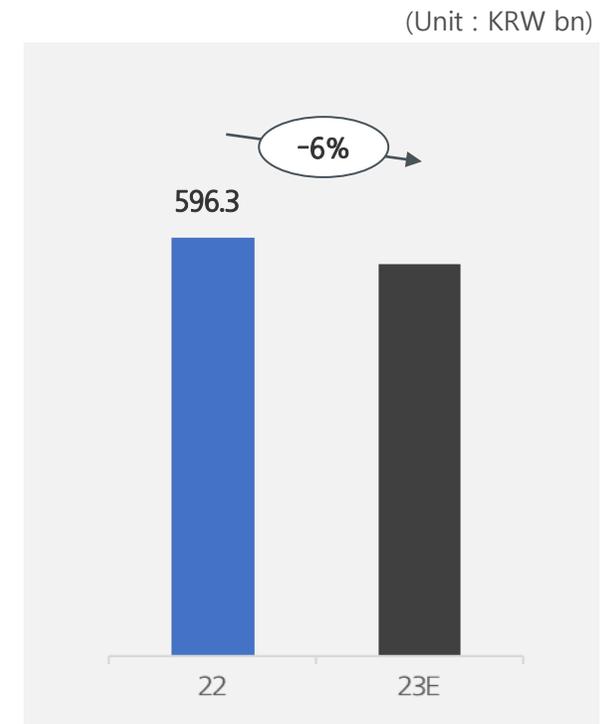
Construction Equipment (China)

- [Market Outlook] Market is expected to decline due to Tier-3 inventory and sluggish real estate market conditions. However, if China comes through with aggressive economic stimulus measures, we expect upside potential.
- [Sales Outlook] HDI plans to protect its topline by 1) strengthening sales of large and wheel-typed models, and 2) increasing exports. We continue to focus our efforts on profitability and minimizing risks of sales receivables.

China - Market Outlook



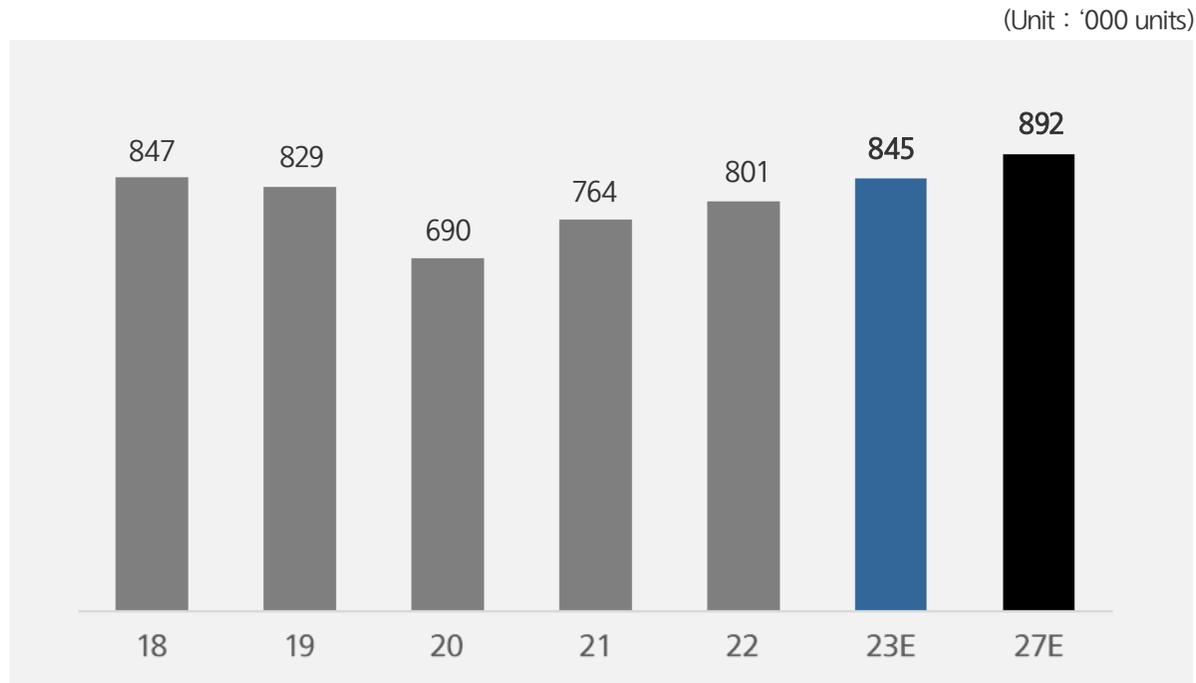
China - Sales Outlook



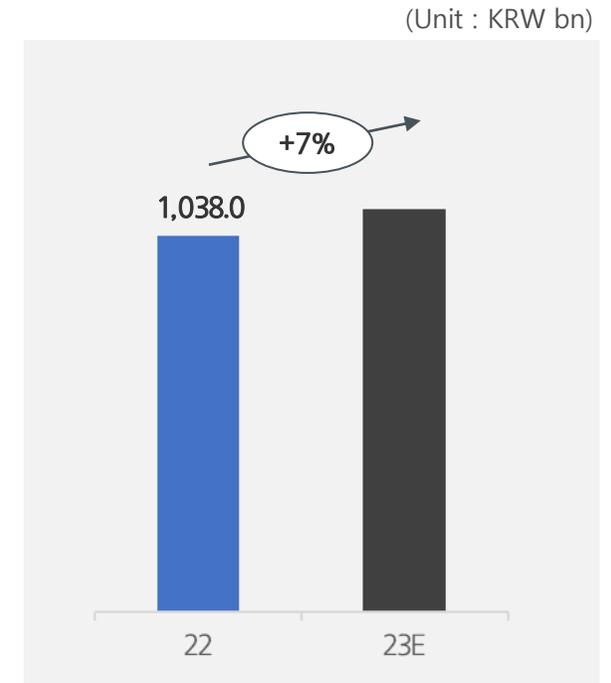
Engine

- [Market Outlook] Market should grow thanks to demand related to infrastructure investment and logistics as well as increased electricity consumption particularly in emerging markets.
- [Sales Outlook] Sales should grow 7% YoY in line with 1) growth in existing business, 2) additional 3rd party customers and 3) enhanced regional/product lineup via stronger product competitiveness in electronic engines. Also, we expect mid/long-term growth by securing competitiveness in future powertrain technology in preparation for tighter emission regulations and accelerating eco-friendly/carbon-neutrality trends.

Engine - Market Outlook



Engine - Sales Outlook



* Source: Company source

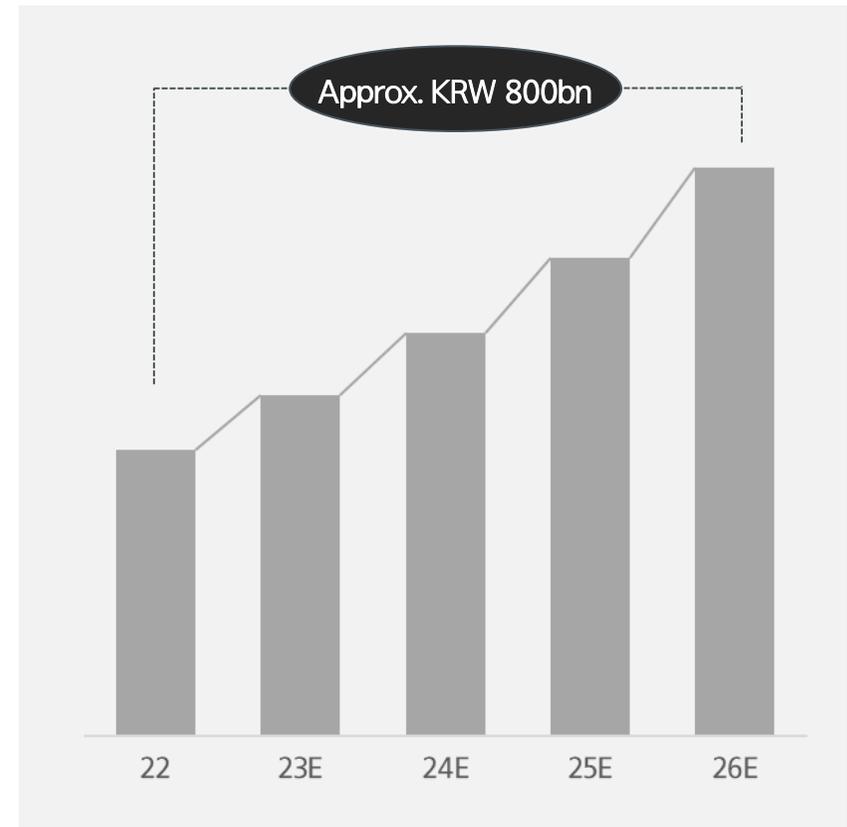
Synergy – Progress & Financial impact

- After joining HD Hyundai Group, HDI set targets in four key synergy areas to strengthen business competitiveness.
- Financial impact is estimated at KRW 800bn and we plan to search for additional tasks and opportunities to maximize synergy within the construction equipment sphere.

Major areas of synergy

- 1 Improvement in procurement/logistics efficiency**
 - Integrated procurement and common use of components
 - Expansion of global sourcing
 - Lower logistics cost and fees
- 2 Optimization of sales/service**
 - Strengthen product lineup
 - Upgrade parts business by mutual benchmarking and expanding component sales
- 3 Internalization of engines**
 - Expand application of HDI engine to HCE construction equipment/industrial vehicle and search for additional sales opportunities within HD Hyundai
- 4 Optimization of production/Quality/R&D and others**
 - Optimize R&D to develop new products and future technologies

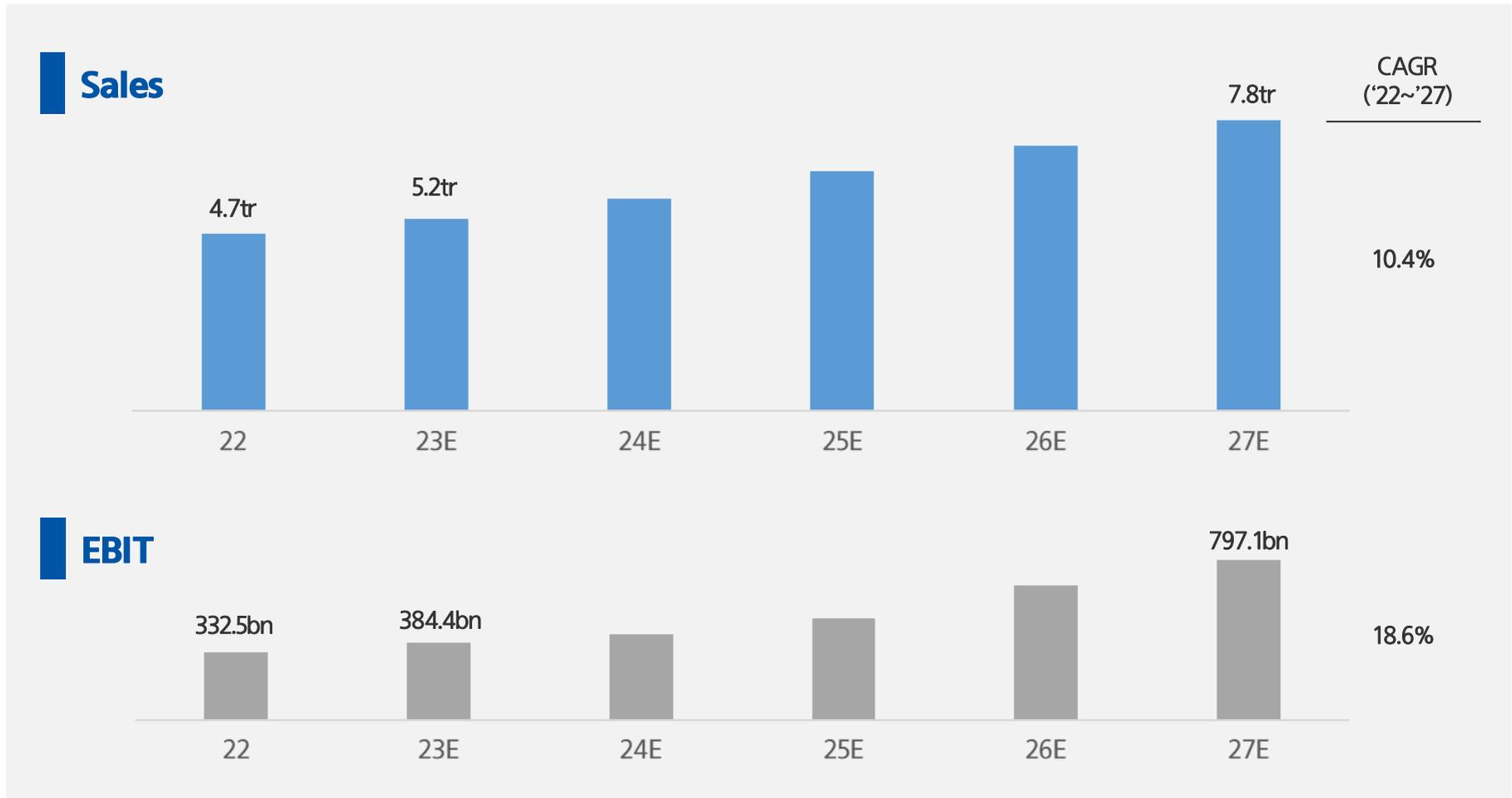
HDI' synergy – EBIT Impact



Long-term Sales & EBIT Forecast

- We anticipate full-fledged growth as impact from synergy becomes more evident from 2023.

(Unit : KRW)



2022 ESG Key Activities & 2023 Strategic Initiatives



Included in DJSI Korea for 13 consecutive years



B Rating ESG evaluation from Korea Corporate Governance Service



BB Rating By SUSTINVEST



BB Rating By MSCI



B Rating By CDP

Major Strategic Initiatives in 2023

- Strengthening engagement with external stakeholders
 - : Disclose information on progress of Net Zero by 2050 and Impact Valuation on eco-friendly products
- Provide support for ESG management at supply chain level
 - : ESG assessment/evaluation of suppliers and provide support for ESG activities
- Continue to work on climate change response strategy
 - Introduce external renewable energy and implement in-house solar energy generation, review possibility of joining additional global initiatives

