



Doosan Infracore

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2018 3Q Earnings Release

October 2018



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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3Q18 Results

- Sales increased +17% year-on-year thanks to continued favorable trends in all businesses.
- EBIT improved +33% year-on-year primarily due to sales growth and improved profitability.
- Net profit increased +15% year-on-year, despite F/X losses during the quarter.

Income Statement

(Unit : KRW billion)

	3Q17	2Q18	3Q18	YoY	QoQ
Sales	1,584.5	2,144.1	1,845.8	+16.5%	-13.9%
EBIT	143.9	273.1	191.5	+33.0%	-29.9%
EBIT margin(%)	9.1%	12.7%	10.4%	+1.3%p	-2.3%p
(Net Financial Cost)	47.6	46.2	46.5	-2.3%	0.6%
(F/X gains/losses)	11.5	-18.3	-7.0	-	-
Net Profit	77.2	142.8	88.7	+14.9%	-37.9%

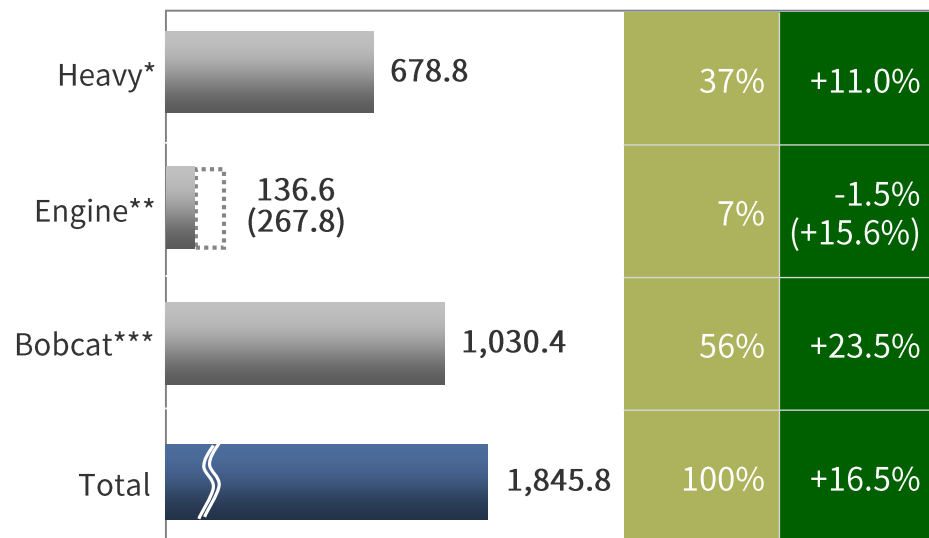
3Q18 Sales and EBIT by division

- Heavy : Double-digit sales growth continued in 3Q, while EBIT stayed flat YoY due to Won's strength.
- Engine : Revenue growth was driven by internal external sales to Bobcat and Heavy. Profitability remained high thanks to product mix improvement.
- Bobcat : Sales and EBIT grew year-on-year at an accelerated pace.

Sales

(Unit : KRW billion)

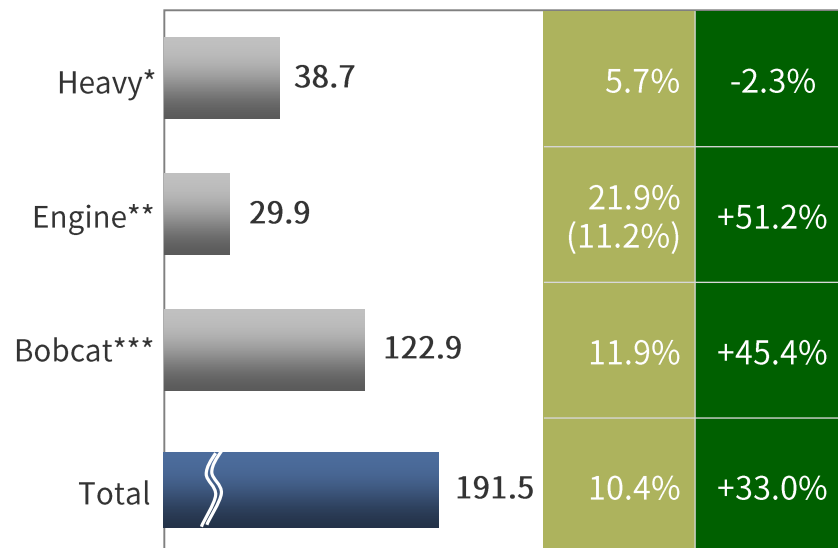
% of sales YoY



EBIT & Margin

(Unit : KRW billion)

% of sales YoY



* Includes NA/EU Heavy from 1Q18

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

*** Excludes NA/EU Heavy from 1Q18

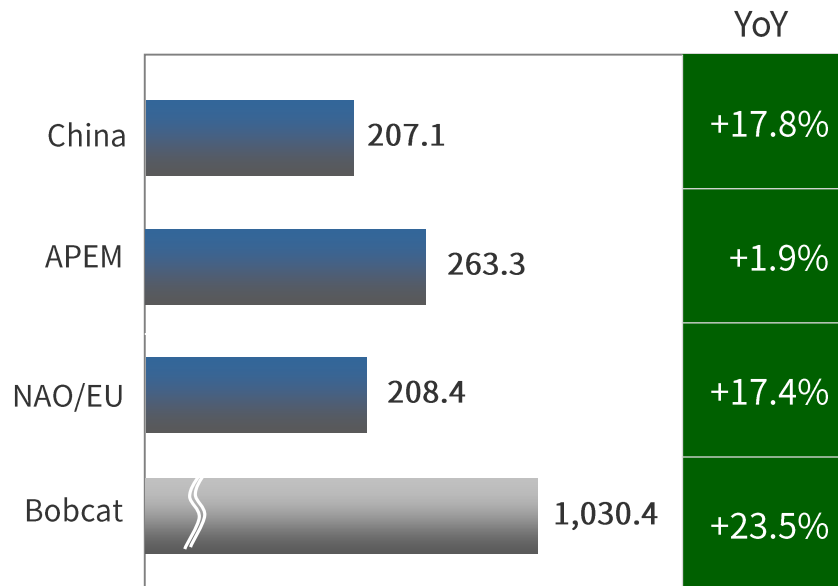
Note : Sales breakdown based on 3rd party revenue

Regional breakdown (Construction equipment)

- China : Despite our internal efforts to enhance profitability and improve cash flow, sales increased +18% YoY during the low demand season.
- APEM : Sales grew by +2% YoY due to demand recovery in SEA. Slowdowns in Korea and MEA, which have relatively higher sales contribution, continued in 3Q.
- NAO/EU : Growth in developed markets continued, backed by solid demand and market share gains.
- Bobcat : Sales growth was supported by high growth in NA and steady sales in EU, as well as market share gains.

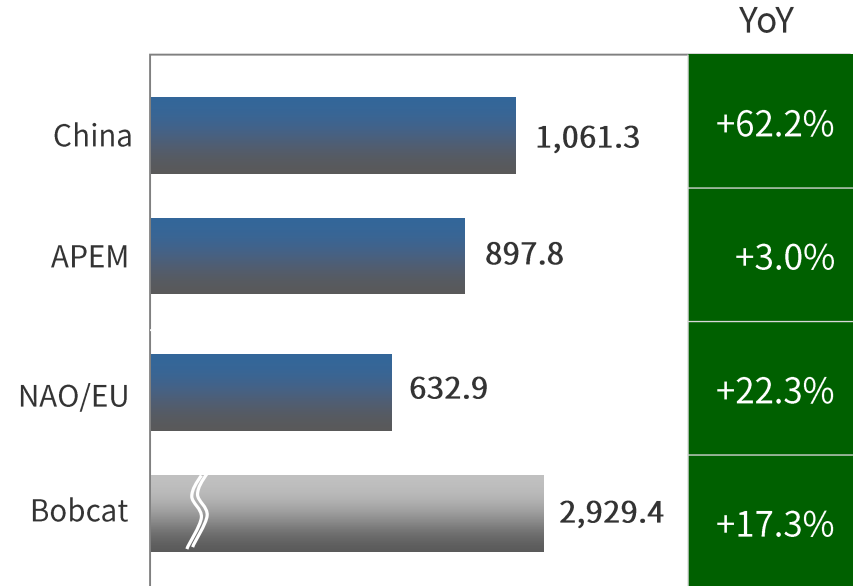
CE regional breakdown (3Q18)

(Unit : KRW billion)



CE regional breakdown (3Q18 YTD)

(Unit : KRW billion)



Financial structure

- Net debt : Decreased by KRW283.5bn thanks to improved cash flow. Of note, currency worked unfavorably by KRW58bn compared to the year-end.
- Liability to equity ratio : Declined by -14%p due to increase in net profit and decrease in net debt.

Balance Sheet

(Unit : KRW billion)

	2017	1Q18	2Q18	3Q18	Compared to 2017
Current Assets	3,767.4	4,350.4	4,436.3	4,461.4	+694.0
Fixed Assets	6,508.7	6,530.3	6,600.7	6,571.3	+62.6
Total Assets	10,276.1	10,880.7	11,037.0	11,032.7	+756.6
Total liabilities	7,102.9	7,538.9	7,515.3	7,471.5	+368.6
- Net Debt	3,618.6	3,500.7	3,693.2	3,335.1	-283.5
Total shareholder's Equity	3,173.2	3,341.8	3,521.7	3,561.2	+388.0
Liabilities/Equity Ratio	223.8%	225.6%	213.4%	209.8%	-14.0%p

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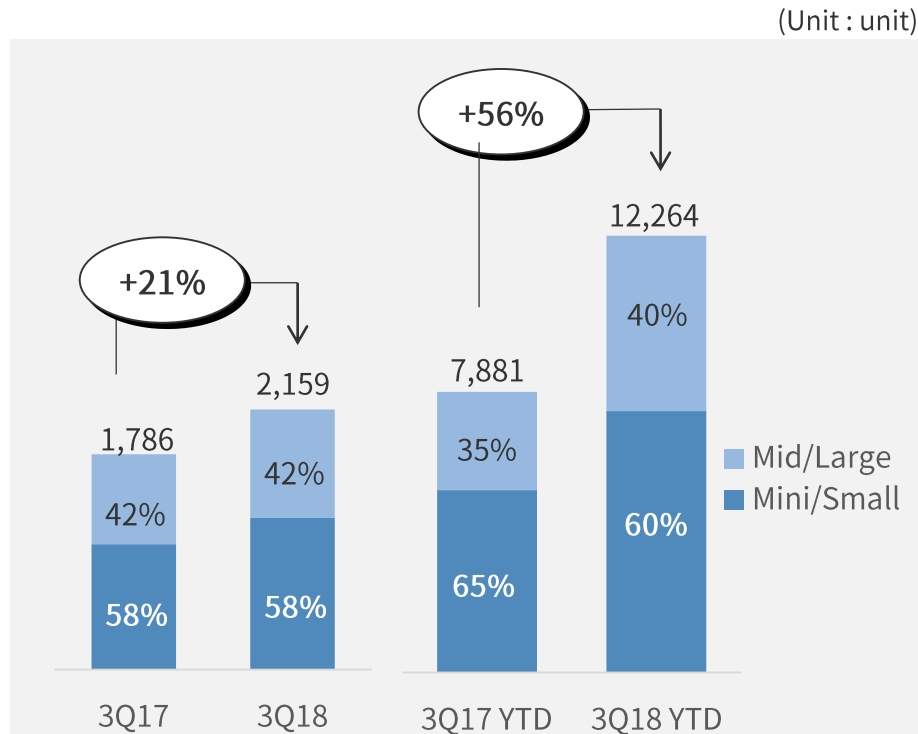
1 3Q18 Results

2 Highlights

Heavy (China) – Stable growth amidst focus on profitability/cashflow

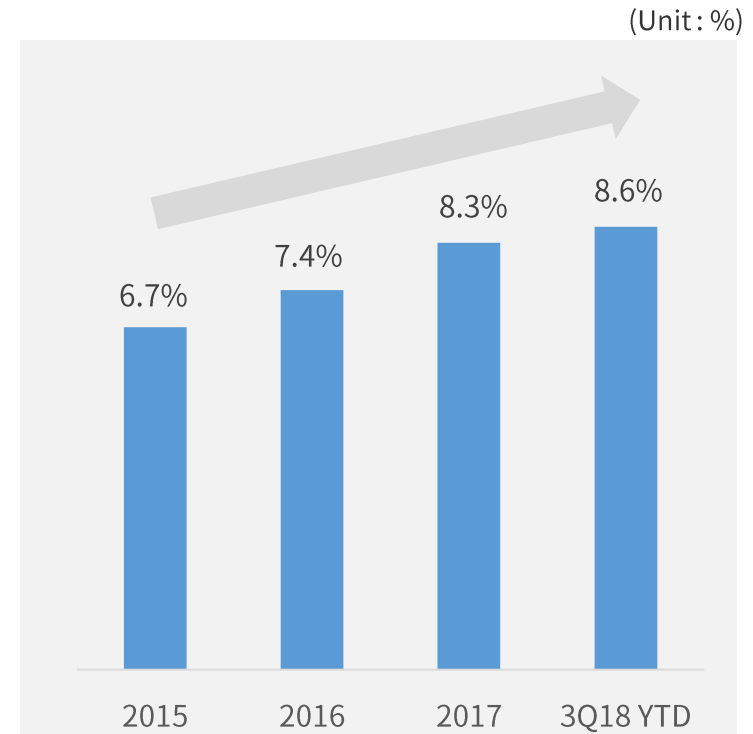
- Despite the high comparison basis, excavator market in China grew +27% YoY during 3Q18 in line with infrastructure investment, replacement demand and stronger environmental regulations.
- Sales contribution from mid/large-sized excavators increased along with growing demand from infrastructure/mining industries.
- We continued to focus our efforts to enhance profitability and minimize risk of sales receivables.

DI's sales volume & mix trend



* Source: CCMA

DI's M/S trend in China

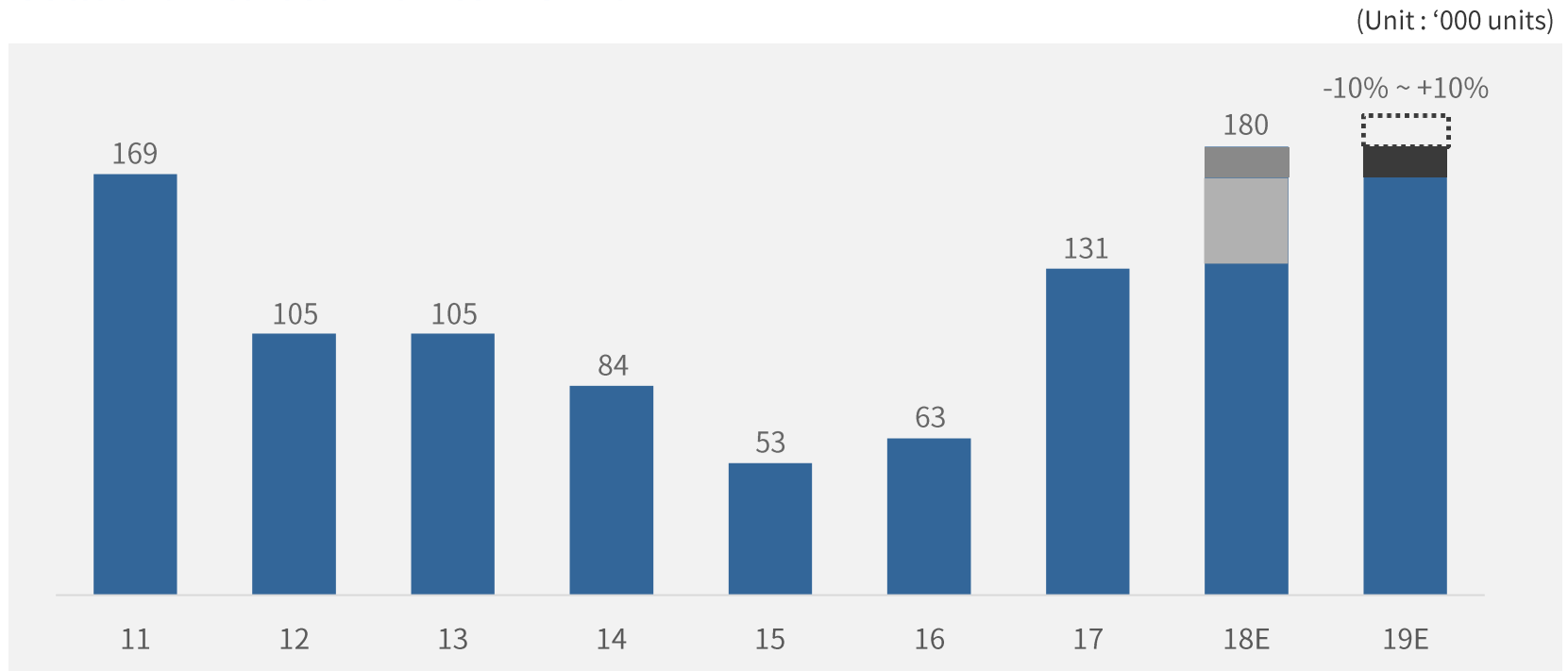


* Source: CCMA

Heavy (China) – Outlook for 2019

- Demand remains stable in China due to replacement demand + infrastructure investment + demand stemming from stricter environmental regulations.
- We revised our 2018 outlook for Chinese excavator market volume to 180K units(+37% YoY). External sources such as global peers and research firms indicate 2019 outlook in the range of -10% ~ +10% YoY.
- Upside potential for 2019 include, 1) stimulus measures in case of prolonged conflict between US-China and 2) pre-buy before Tier-4 environmental regulations become effective.

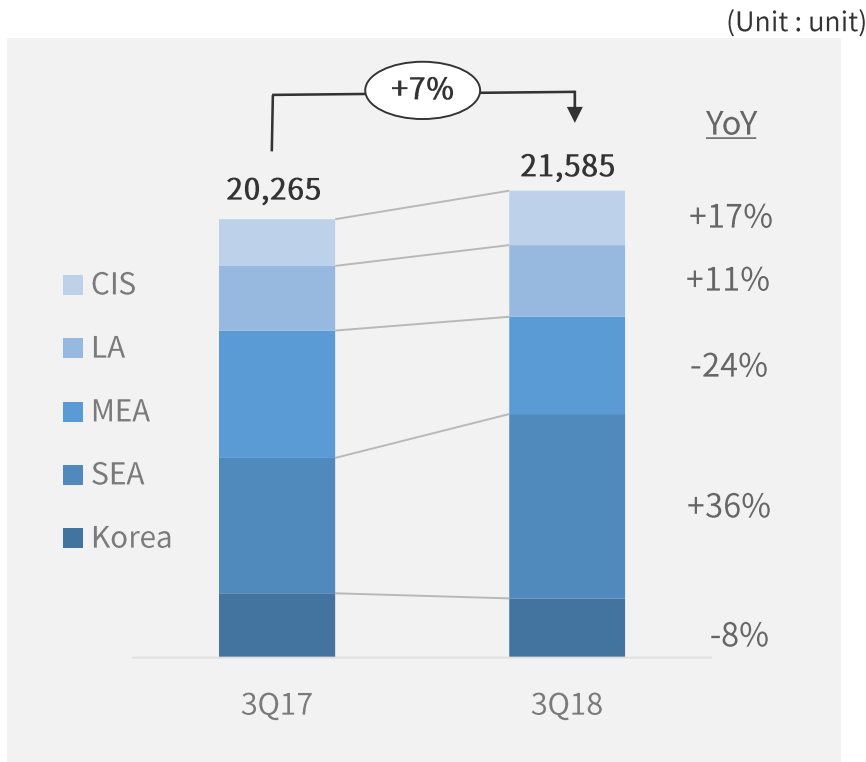
Outlook : Excavator market in China



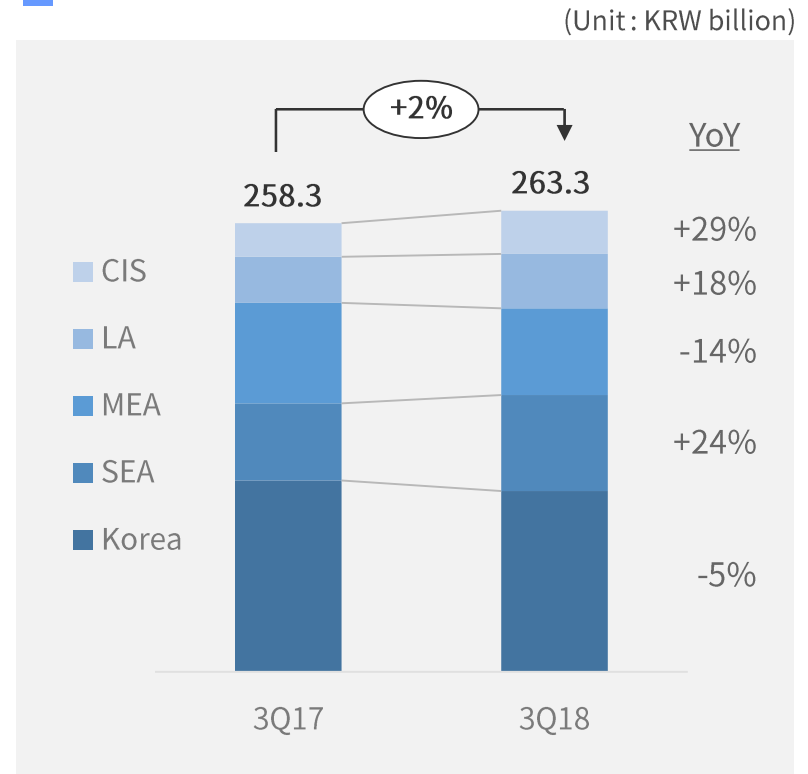
Heavy (APEM) – Rebound in 3Q

- Market demand in APEM continued to grow by +7% YoY in 3Q18 excluding Korea and MEA.
- Growth in SEA, which underperformed the market in 2Q due to our strategic focus on profitable, rebounded in 3Q and grew a solid +24% YoY.
- DI continues to improve profitability by raising prices or decreasing promotions and is endeavoring to avert F/X and AR collection risks via cash sales or LC transactions.

Market volume in APEM



DI's sales trend in APEM

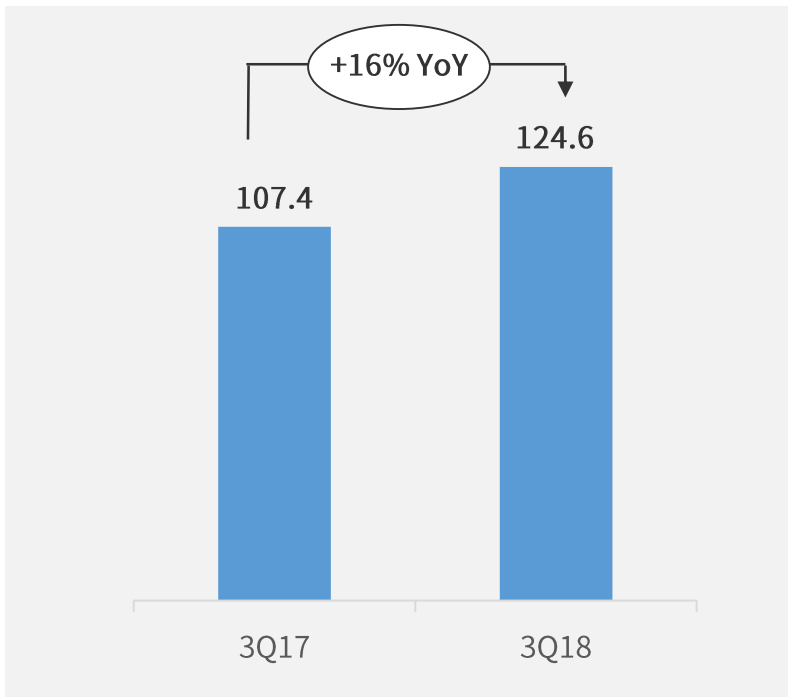


Heavy (NAO/EU) – Growing market demand + Enhanced competitiveness

- NAO/EU sales grew double-digit YoY in 3Q18 backed by economic recovery of developed markets and construction demand for housing and infrastructure. Market shares increased in both regions.
- NAO sales remained firm due to tax benefits of Trump's administration and enhanced marketing efforts after the business transfer.
- EU sales was supported by infrastructure investment, particularly in Eastern and Southern Europe. DI also gained market share thanks to country-specific products and stronger dealer network.

DI's sales trend in EU

(Unit: KRW billion)



DI's sales trend in NAO

(Unit: KRW billion)

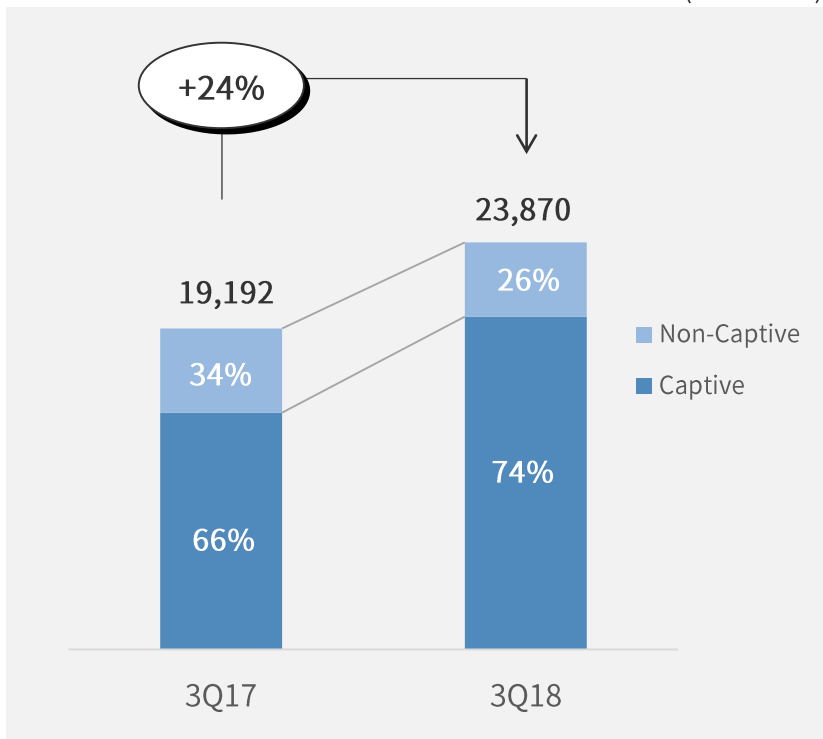


Engine – Sales growth + High profitability + Additional Big OEM

- Sales increased from internal sales and generator engines to US shale gas production.
- EBIT margin improved in line with volume growth and product mix improvement.
- New OEM achievement : New OEM contracts with Arbos and Baoli → Enhanced global status as an engine specialist

Sales volume by segment

(Unit : unit)



EBIT improvement trend



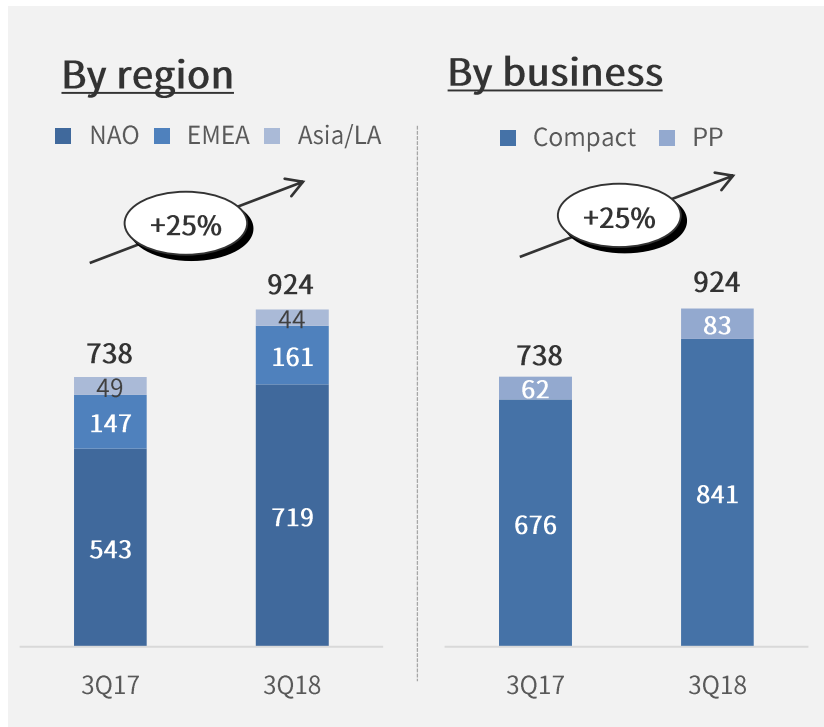
* Figures based on total sales, which includes internal sales

Doosan Bobcat – Accelerated financial improvement back by growth in NAO

- Sales increased substantially in developed markets, particularly in NAO.
- Based on solid performance and early debt repayment of \$250mn, DBI further solidified its financial structure.

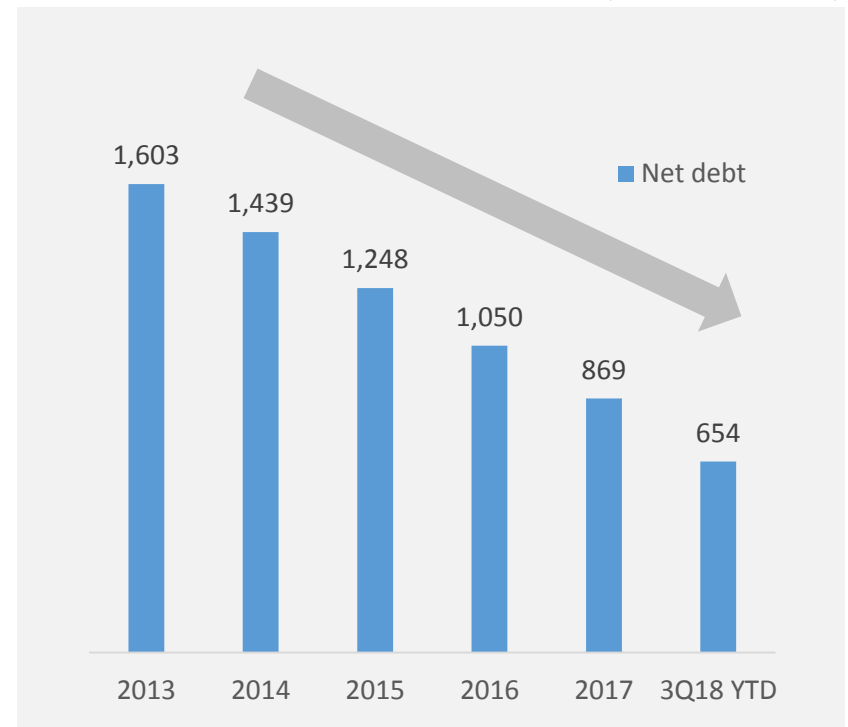
Sales by Region/Business

(Unit : USD million)



Annual net debt trend

(Unit : USD million)





[Appendix] Business segment information

• China monthly sales volume & market share

(Unit : unit)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015	Market	3,437	2,417	11,995	8,837	5,120	3,555	2,600	2,529	2,689	2,987	3,249	3,460	52,875
	DI	179	153	828	613	360	250	165	163	198	191	191	235	3,526
	M/S	5.7%	6.6%	7.5%	6.9%	7.0%	7.0%	6.3%	6.4%	7.4%	6.4%	5.9%	6.8%	6.7%
2016	Market	2,483	3,199	13,096	6,462	4,778	3,651	3,093	3,859	4,856	5,344	5,934	6,158	62,913
	DI	167	278	1,001	517	387	233	230	261	343	398	449	385	4,649
	M/S	6.7%	8.7%	7.6%	8.0%	8.1%	6.4%	7.4%	6.8%	7.1%	7.4%	7.6%	6.3%	7.4%
2017	Market	3,946	13,908	20,588	13,668	10,486	8,225	6,993	7,952	9,525	9,661	12,885	12,722	130,559
	DI	295	1,202	1,701	1,217	914	766	514	554	718	769	1,165	1,036	10,851
	M/S	7.5%	8.6%	8.3%	8.9%	8.7%	9.3%	7.4%	7.0%	7.5%	8.0%	9.0%	8.1%	8.3%
2018	Market	9,547	9,723	36,643	25,034	17,780	12,449	9,316	10,087	11,702				142,281
	DI	710	1,018	3,288	2,180	1,595	1,314	613	683	860				12,264
	M/S	7.4%	10.5%	9.0%	8.7%	9.0%	10.6%	6.6%	6.8%	7.3%				8.6%

• Construction Equipment : Regional sales breakdown

(Unit : KRW billion)

Region	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18	YoY
China	220.4	258.4	175.7	262.2	916.8	425.1	429.1	207.1	+17.8%
APEM	310.7	302.6	258.3	216.1	1,087.7	341.8	292.7	263.3	+1.9%
NAO/EU	151.3	188.5	177.5	161.8	679.1	195.6	228.8	208.4	+17.4%
Bobcat	776.1	885.9	834.3	886.2	3,382.6	866.0	1,033.0	1,030.4	+23.5%
Total	1,458.5	1,635.4	1,445.9	1,526.4	6,066.1	1,828.6	1,983.6	1,709.2	+18.2%