



Doosan Infracore

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2017 3Q Earnings Release

November 2017



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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3Q17 Results

- Sales increased 22% year-on-year on the back of continued favorable trend in China/emerging markets and growth at Bobcat.
- EBIT improved 36% year-on-year due to improved profitability in heavy/engine businesses.
- Net profit increased considerably thanks to earnings improvement and KRW25bn gains from disposal of marketable securities.

Income Statement

(Unit : KRW billion)

	3Q16	2Q17	3Q17	YoY	QoQ
Sales	1,302.1	1,773.4	1,584.5	+21.7%	-10.7%
EBIT	105.8	214.7	143.9	+36.0%	-33.0%
EBIT margin (%)	8.1%	12.1%	9.1%	+1.0%p	-3.0%p
(Net Financial Cost)	47.8	45.4	47.6	-0.4%	+4.8%
(F/X gains/losses)	28.3	7.8	11.5		
Net Profit	35.7	83.6	77.2	+116.0%	-7.7%

3Q17 Sales & EBIT by division

- Heavy : Revenue increased substantially thanks to strong performance in China/APEM. In addition, EBIT surged due to operating leverage.
- Engine : Revenue grew from both internal and external customers. Product mix improvement also enhanced profitability.
- Bobcat : Revenue increased 15% year-on-year due to favorable operating environment in developed markets and normalization of Compact production in North America. Despite promotion expenses in North America, Bobcat maintained double-digit profitability.

Sales

(Unit : KRW billion)

		% of sales	YoY
Heavy *	434.0	27%	+43.5%
Engine	138.7	9%	+15.2%
Bobcat	1,011.9	64%	+15.1%
Total	1,584.5	100%	+21.7%

* Includes APEM and China

EBIT & Margin

(Unit : KRW billion)

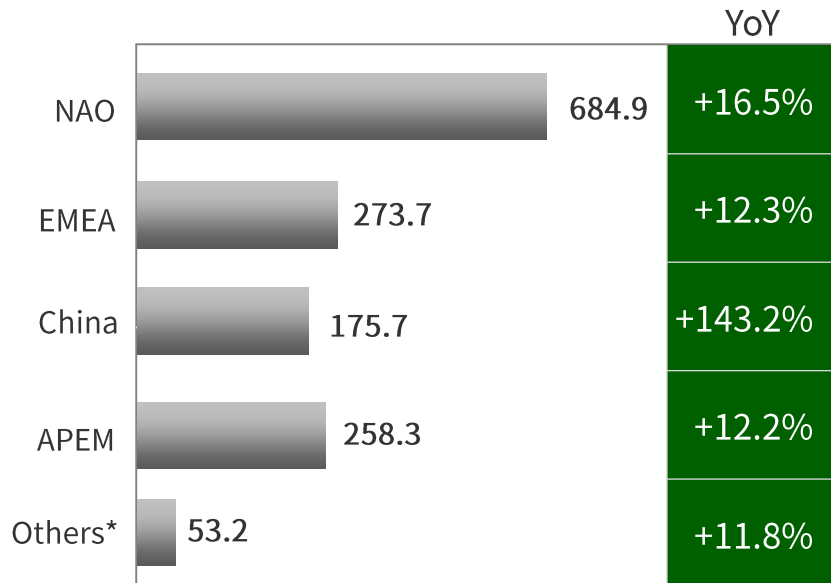
		EBIT margin	YoY
Heavy*	23.2	5.3%	-
Engine	19.8	14.3%	+92.2%
Bobcat	101.0	10.0%	-2.1%
Total	143.9	9.1%	+36.0%

Regional breakdown (Construction equipment)

- NAO : Sales increased double-digit year-on-year thanks to normalization of Compact production and demand growth for both Compact/Heavy construction equipment.
- EMEA : Sales increased due to demand from key countries such as Germany, France and U.K.
- China : Sales increased substantially by 143% year-on-year thanks to continued infrastructure investment and replacement demand in 3Q. Sales and profit grew faster than volume due to product mix improvement.
- APEM : Revenue increased 12% year-on-year with sales growths in all key regions.

CE regional breakdown (3Q17)

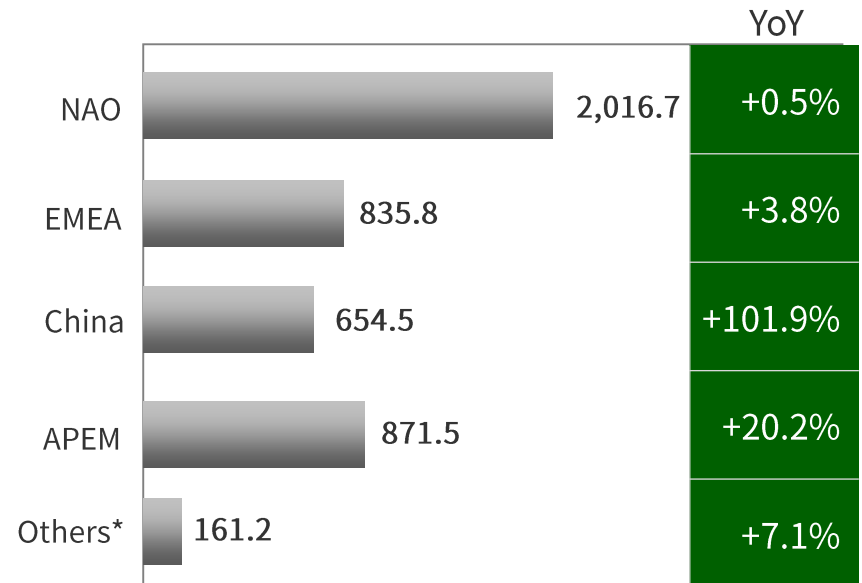
(Unit : KRW billion)



* Others include HQ and compact sales in Asia/LA

CE regional breakdown (3Q17 YTD)

(Unit : KRW billion)



* Others include HQ and compact sales in Asia/LA

Financial structure

- Total shareholders' equity increased thanks to favorable business conditions and resultant improvement in net profit. However, issuance of bond with warrant and foreign currency bond slightly raised the liabilities to equity ratio at end-3Q17.
- Net debt increased due to account transfer from cash → deposit, which was categorized under 'other current assets' in preparation for the early redemption of the perpetual bond.

Balance Sheet

(Unit : KRW billion)

	2015	2016	1Q17	2Q17	3Q17	Chg. (QoQ)
Current Assets	3,876.0	3,049.6	3,344.6	3,550.5	4,342.5	+792.0
Fixed Assets	7,507.2	6,977.2	6,632.5	6,814.5	6,835.7	+18.2
Total Assets	11,383.2	10,026.8	9,977.1	10,365.0	11,175.2	+810.2
Total Liabilities	8,280.2	6,578.4	6,731.3	6,821.5	7,415.4	+593.9
- Net Debt	5,055.1	3,764.0	3,396.9	3,529.2	4,050.4	+521.1
Total Shareholders' Equity	3,103.0	3,448.4	3,245.8	3,543.4	3,759.8	+216.4
Liabilities/Equity Ratio	266.8%	190.8%	207.4%	192.5%	197.2%	+4.7%p

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1 3Q17 Results

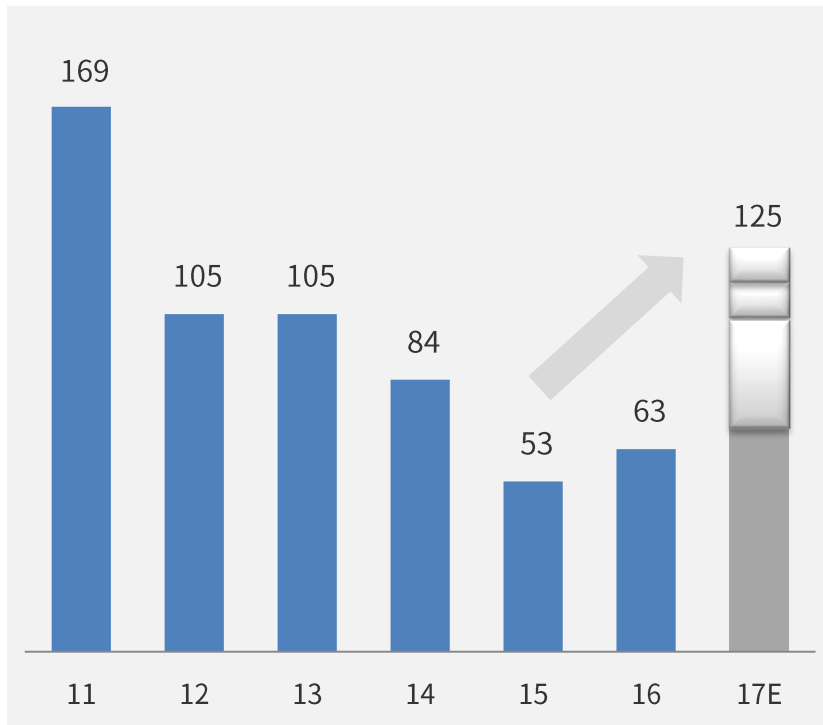
2 Highlights

China – High growth continues in 2H

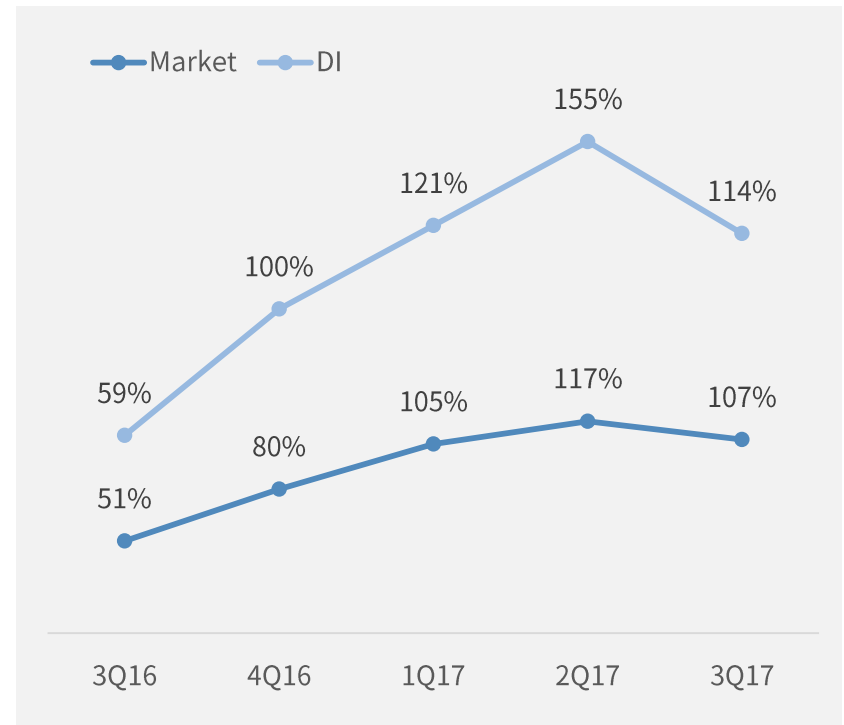
- Outlook for Chinese excavator market in 2017 is revised up to 125K units, our third revision this year, in order to reflect the strong performance until 3Q.
- We have seen a surge in sales volume of above 100% year-on-year, despite the high comparison basis in 2016, and have continued to consistently out-perform the market.

Outlook : Excavator market in China

(Unit: '000 units)



Excavator sales volume growth trend in China (Market vs. DI)

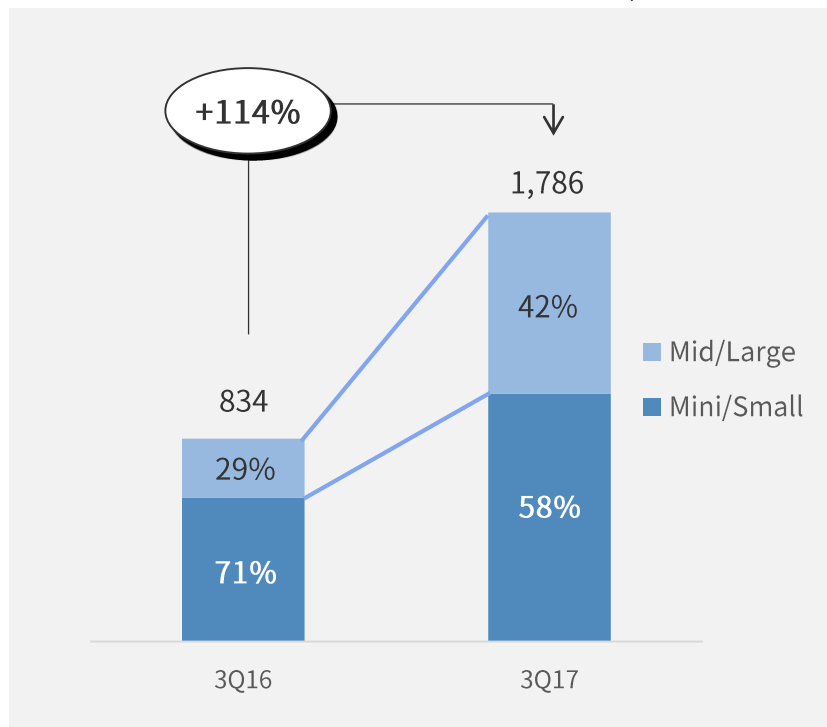


China – P(Price) and Q(Volume) both on the rise

- Sales volume of mid/large-sized excavators is growing significantly in line with strong demand from infrastructure investment and mining activities. Accordingly, average selling price has increased 21% year-on-year in 3Q17.

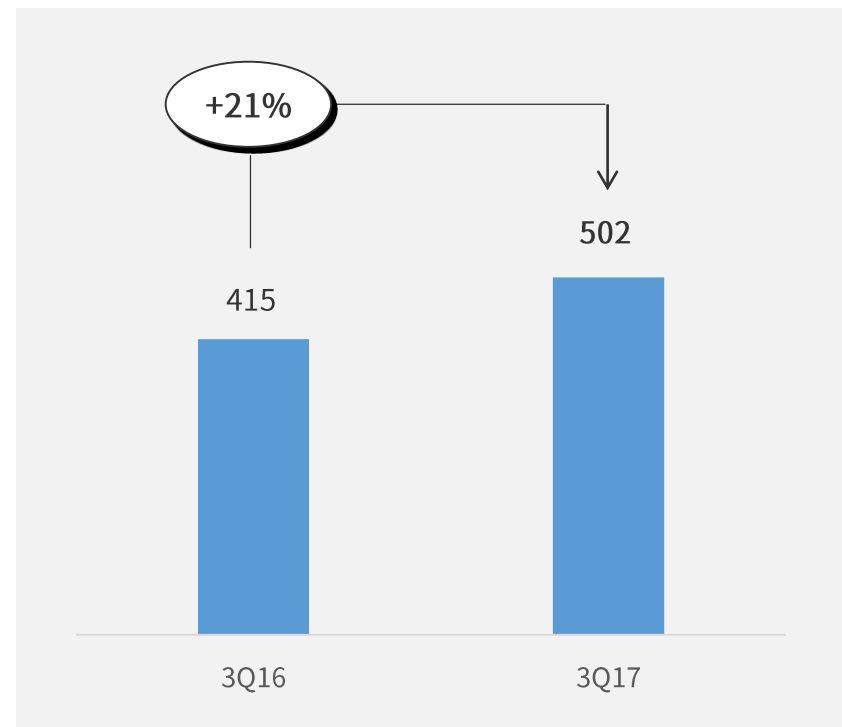
DI's sales volume & mix trend in China

(Unit : '000 units)



DI's ASP trend in China

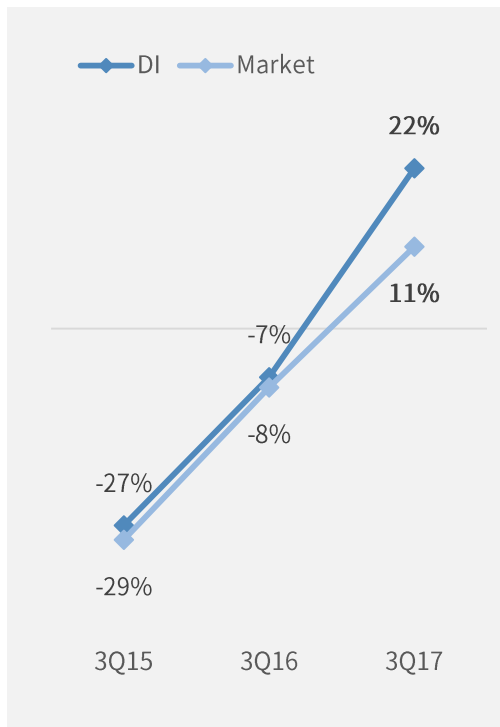
(Unit : '000 RMB)



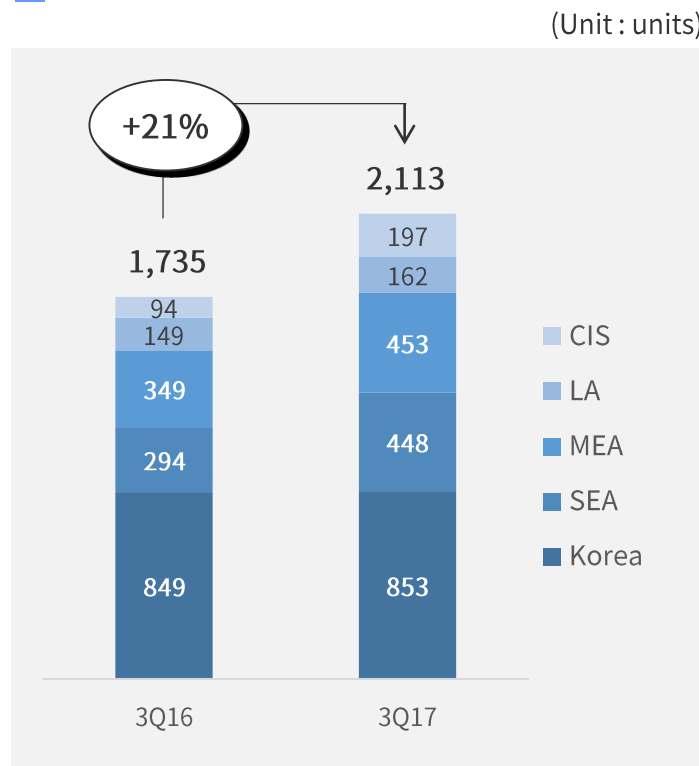
APEM – Continued EM recovery + Decrease in channel inventory

- Demand from APEM is recovering in 2017 and we have been outperforming the market.
- Emerging market growth is driven by Southeast Asia, and even the relatively weaker markets such as Middle East and Latin America have started to turn around.
- Channel inventory continued to decline from 2015 and should work favorably towards sales going forward.

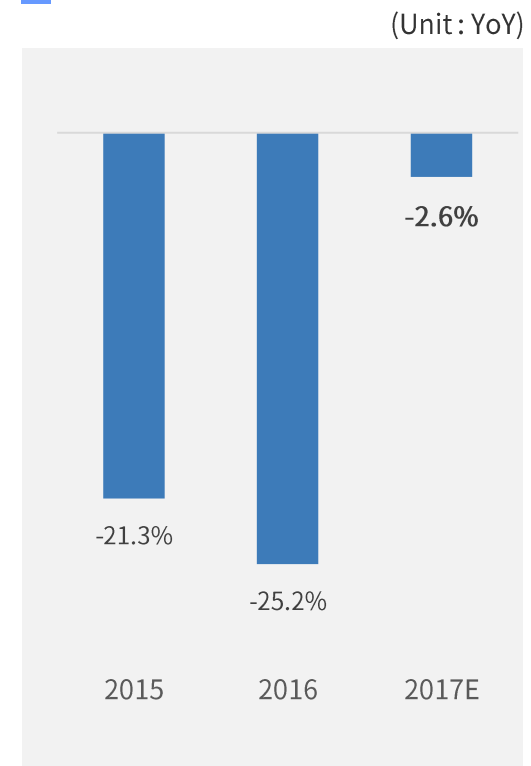
APEM sales growth (YoY)



APEM sales by region (YoY)



APEM* channel inventory

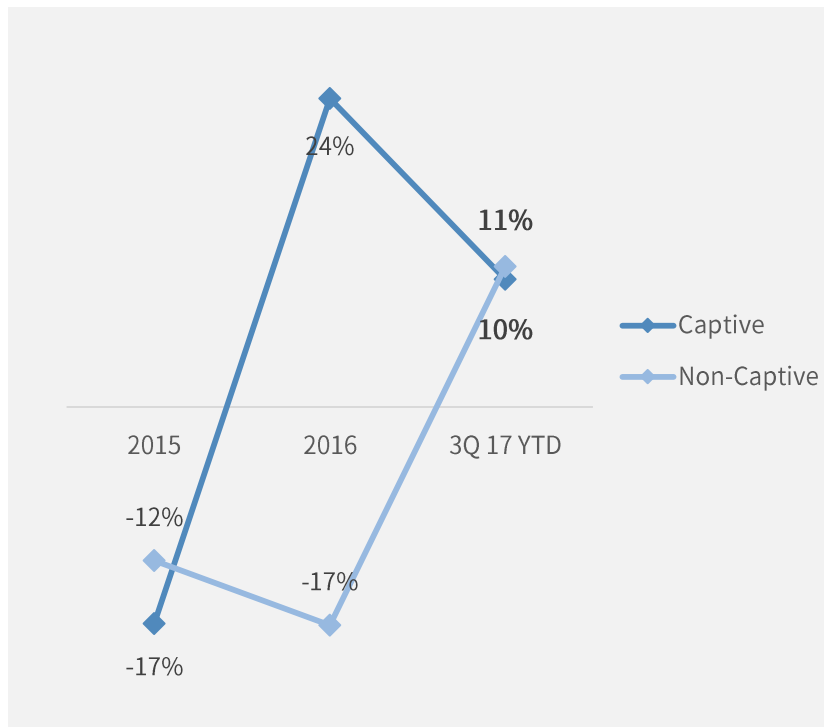


* Data excludes Korea

Engine – Both internal and external sales grow steadily in 2017

- Internal sales contributed towards sales growth until 2016. However, external sales outpaced internal sales during 2017.
- Sales volume for most of our product categories(such as engine for heavy construction equipment, engine for vehicles/generators and G2 engine for external customers) have grown. Moreover, product mix improved thanks to greater contribution from mid/large engines.

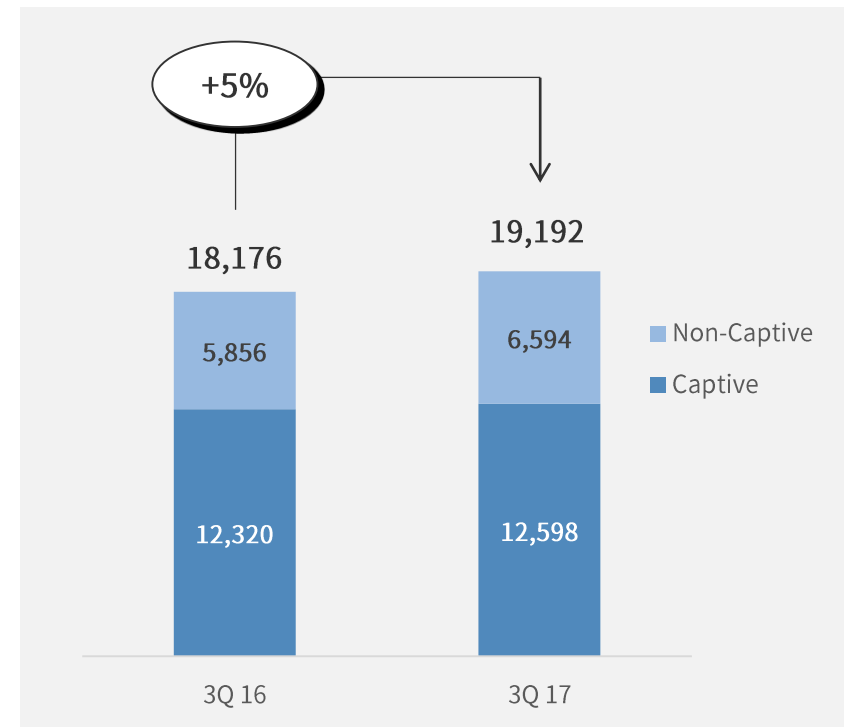
Sales growth by segment(YoY)



* Figures based on total sales, which includes internal sales

Sales volume by segment

(Unit: units)

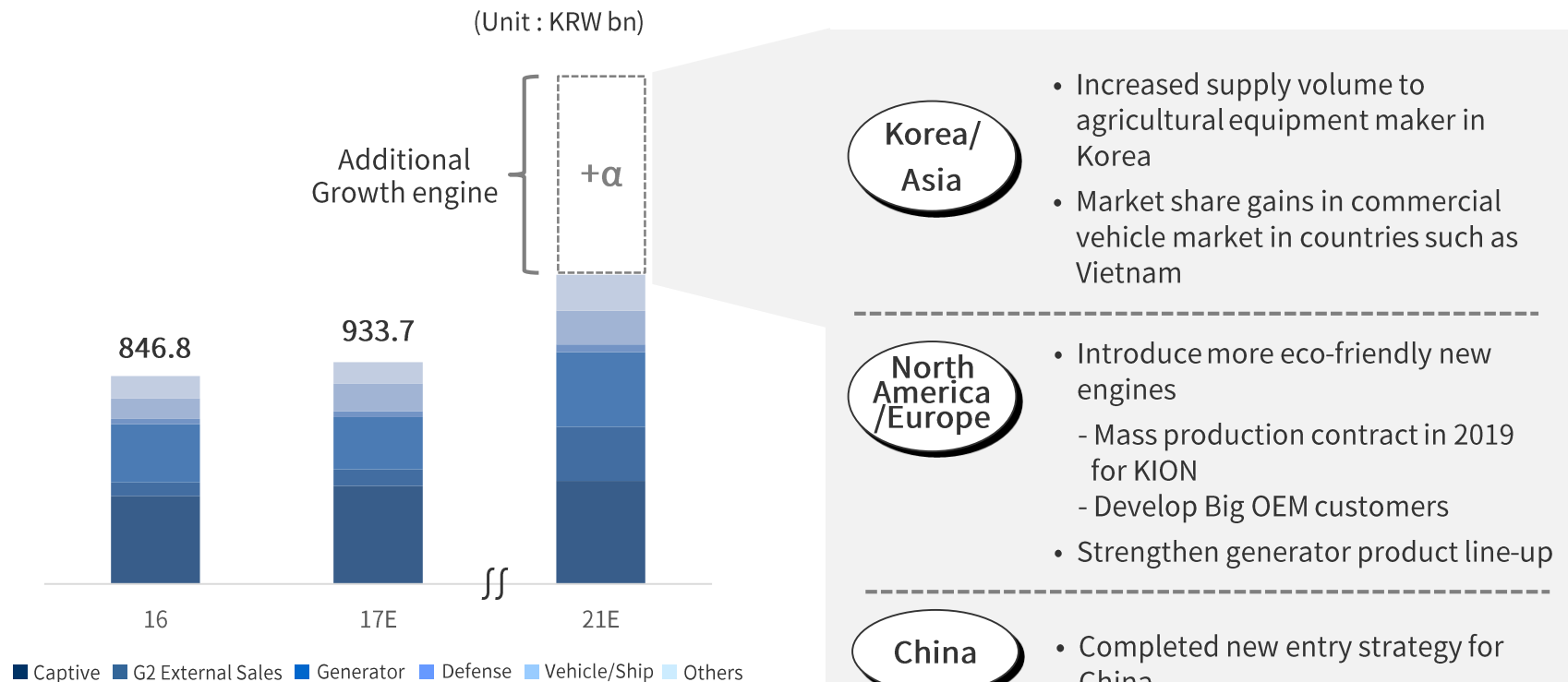


* Figures based on total sales, which includes internal sales

Engine – Growth engine secured in key regions

- During 1H17, we signed long-term supply contracts with overseas forklift and truck companies.
- We are in the final phase of establishing our new strategy for China. Similarly, we are in the process of securing growth strategies for key regions.

Engine business : Current vs. Growth strategy



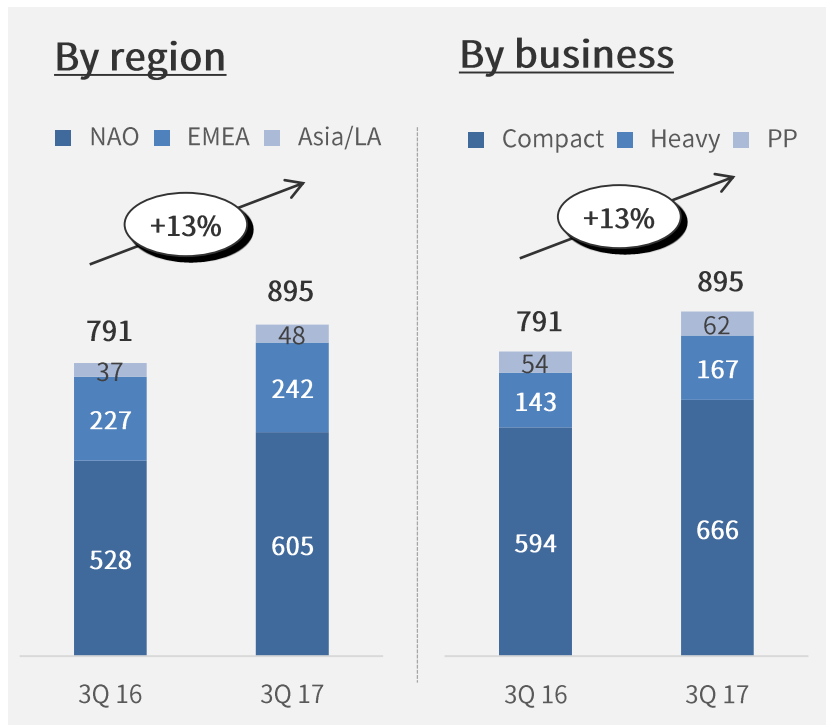
* Figures based on total sales, which includes internal sales

Bobcat – Steady sales growth by region/business

- Sales improved steadily in all regions and business segments in 3Q, despite the weakness witnessed in 1H17.
- Based on solid operating results, financial structure continued to improve.

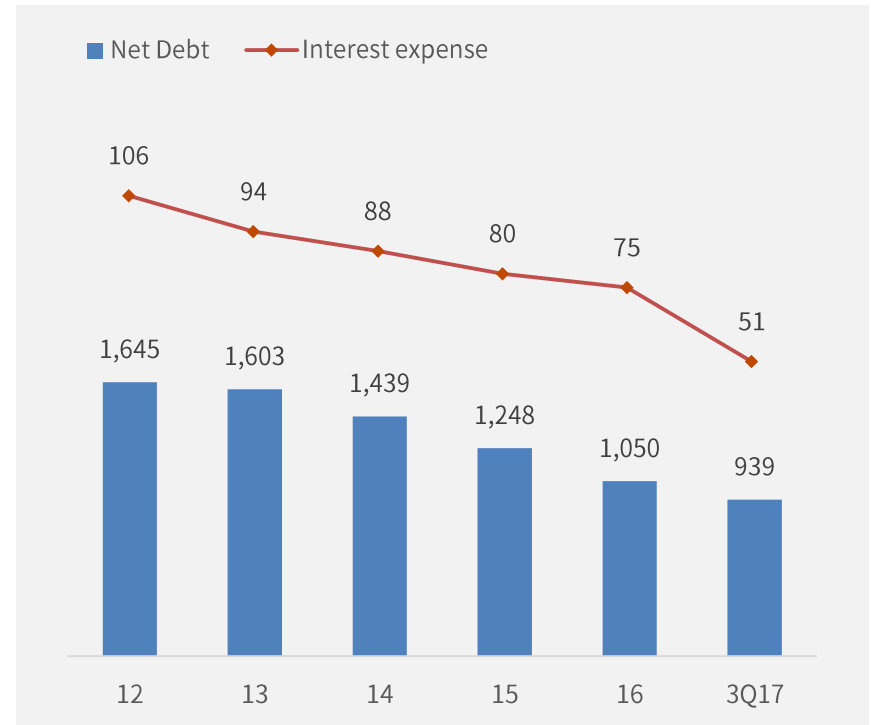
Sales by Region/Business

(Unit: USD M)



Annual net debt & interest expense trend

(Unit: USD M)



[Appendix] Business segment information

• China monthly sales volume & market share

(Unit : unit)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	총계
2014	Market	4,096	9,017	19,277	12,471	7,392	5,752	4,209	4,000	4,137	4,499	4,668	4,910	84,428
	DI	358	839	1,803	1,002	577	398	270	216	259	316	355	512	6,905
	M/S	8.7%	9.3%	9.4%	8.0%	7.8%	6.9%	6.4%	5.4%	6.3%	7.0%	7.6%	10.4%	8.2%
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				95,291
	DI	295	1,202	1,701	1,217	914	766	514	554	718				7,881
	M/S	7.5%	8.6%	8.3%	8.9%	8.7%	9.3%	7.4%	7.0%	7.5%				8.3%

• Construction Equipment : Regional sales breakdown

(Unit : KRW billion)

	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17	3Q17
NAO	682.6	730.8	709.9	684.0	2,807.3	662.1	756.8	588.1	600.4	2,607.4	632.6	699.1	684.9
EMEA	224.3	292.9	252.7	259.5	1,029.4	254.9	306.7	243.7	254.9	1,060.2	246.1	316.0	273.7
China	98.5	114.4	64.4	61.8	339.0	136.2	115.8	72.3	109.4	433.6	221.0	258.4	175.7
APEM	339.5	275.7	221.7	184.3	1,021.2	233.6	261.0	230.1	193.3	918.0	310.3	302.6	258.3
Others *	35.0	54.5	51.4	48.9	189.8	52.0	50.9	47.5	61.1	211.6	48.7	59.3	53.2
Total	1,379.8	1,468.3	1,300.1	1,238.5	5,386.7	1,338.7	1,491.3	1,181.7	1,219.1	5,230.9	1,458.7	1,635.4	1,445.9

* Includes HQ & compact sales in Asia/LA

