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Hyundai Doosan Infracore 2021 3Q Earnings Release

October 2021



 **HYUNDAI**
DOOSAN INFRACORE

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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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Table of Contents

1 **3Q21 Results**

2 **Highlights**

3 **Synergy & Growth**

3Q21 Results

- Sales increased +6% YoY as demand for construction equipment and engines recovered thanks to global infrastructure investment and raw material/oil price hikes.
- However, EBIT fell sharply due to cost pressure from rising raw material prices and freight rates, as well as sluggish sales in China. With the trough in 3Q, we anticipate a gradual recovery going forward.

Income Statement

(Unit : KRW billion)

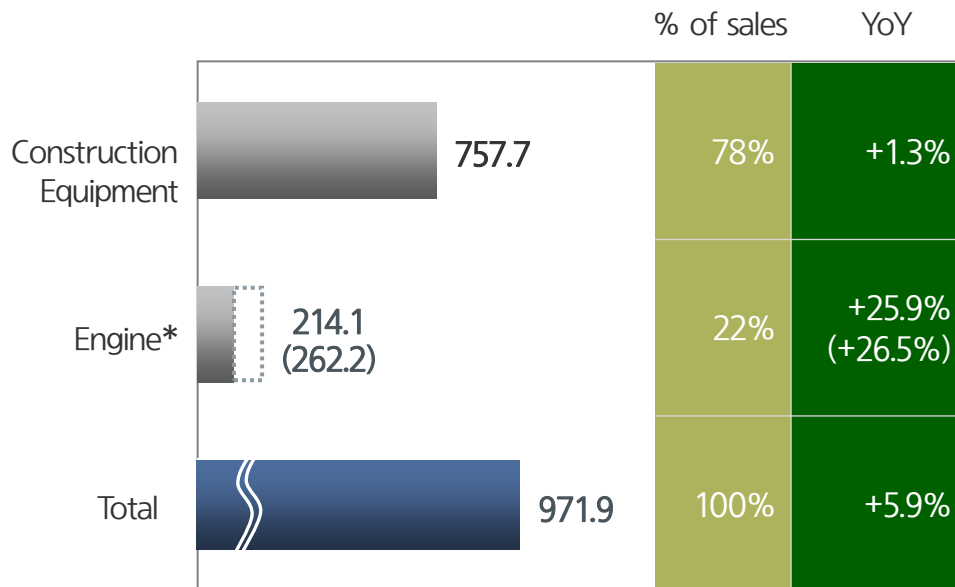
	3Q20	2Q21	3Q21	YoY
Sales	917.8	1,251.3	971.9	+5.9%
EBIT	63.6	109.2	33.7	-47.0%
EBIT margin(%)	6.9%	8.7%	3.5%	-3.4%p
(Net Financial Cost)	22.1	22.6	21.1	-4.5%
(F/X gains/losses)	3.7	7.1	22.3	-
Pretax Profit	23.1	88.4	33.6	+45.3%
Net Profit	67.4	94.9	21.5	-
Sales	82.1	156.0	45.9	-44.1%

3Q21 Sales & EBIT by division

- Construction Equipment : Sales grew thanks to infrastructure-related demand and rising raw material prices. However, EBIT declined due to slowing demand in China and cost pressure.
- Engine : Sales grew as a result of demand from construction equipment business and third-party customers for generator and aftermarket businesses. EBIT continued to grow alongside solid topline growth.

Sales

(Unit : KRW billion)

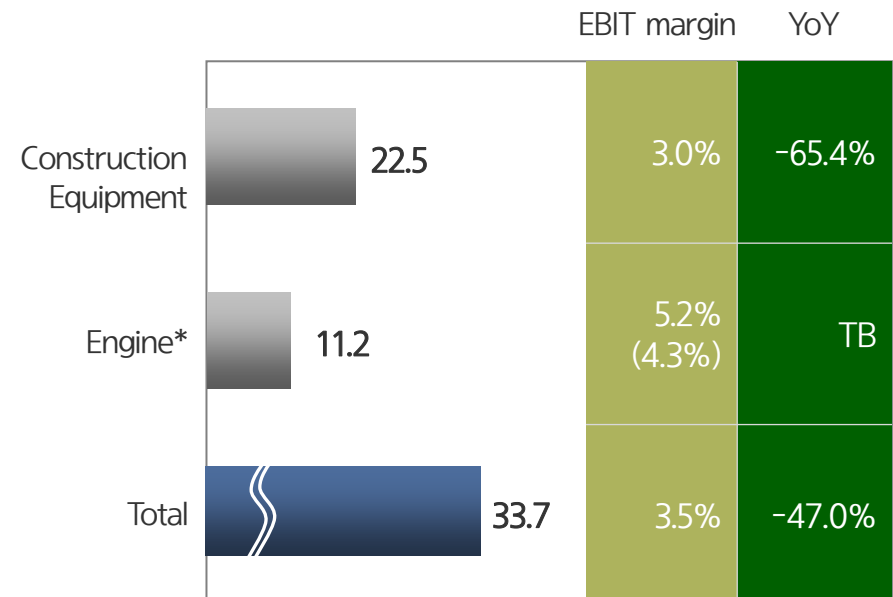


Note : Sales breakdown based on 3rd party revenue

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

EBIT & Margin

(Unit : KRW billion)



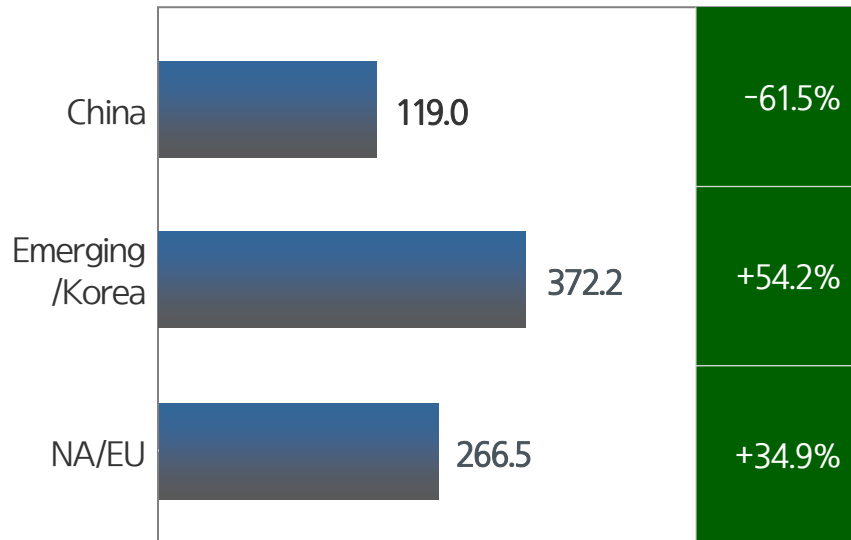
Regional breakdown (Construction Equipment)

- China : Sales decreased due to slowing down in new construction projects as the Chinese government is strengthening environmental regulations and safety diagnosis.
- Emerging/Korea : Sales grew substantially in all regions thanks to rising raw material prices and government-led stimulus measures.
- NA/EU : Demand recovered quickly in line with accelerated pace in vaccination rates and infrastructure investment. We continued to enhance market presence via our efforts to strengthen channel competitiveness.

CE regional breakdown (3Q21)

(Unit : KRW billion)

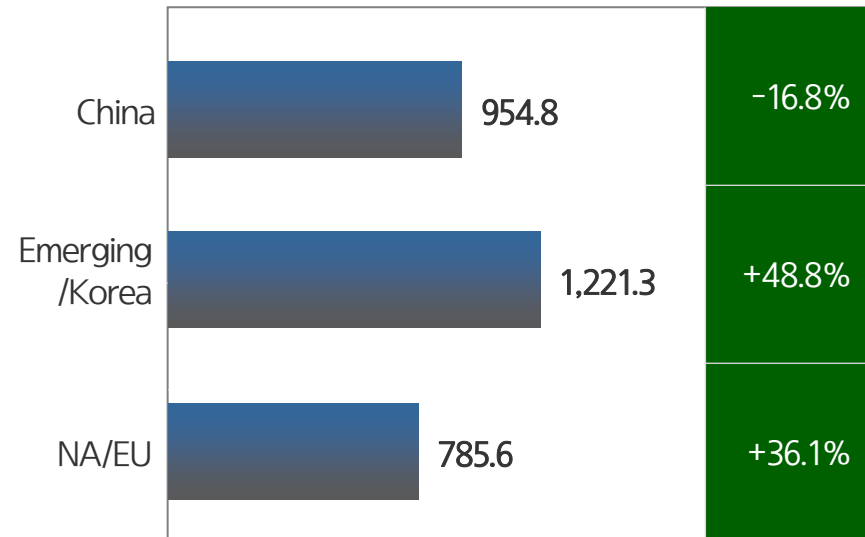
YoY



CE regional breakdown (3Q21 YTD)

(Unit : KRW billion)

YoY



Financial structure

- Although our financial structure deteriorated due to the artificial nature of the spin-off merger, this will be remedied with the upcoming capital reduction without consideration and rights issue.
- Net debt stands at KRW 1.5 trillion and this should gradually decrease with the debt maturity schedule.

Balance Sheet

(Unit : KRW billion)

	2019	2020	1Q21	2Q21	3Q21	Compared to 2020
Current Assets	4,304.9	5,049.6	6,001.1	12,129.4	3,177.3	-1,872.3
Fixed Assets	7,033.7	6,977.3	7,175.5	1,626.1	1,592.6	-5,384.7
Total Assets	11,338.6	12,026.9	13,176.6	13,755.6	4,769.9	-7,257.0
Total liabilities	7,071.0	7,537.9	8,357.1	10,478.6	3,780.4	-2,085.7
- Net Debt	3,022.7	2,505.5	2,231.0	2,270.6	1,545.1	-960.4
Total shareholder's Equity	4,267.6	4,489.0	4,819.5	5,214.2	989.5	-3,499.5
Net Debt/Equity Ratio	70.8%	55.8%	46.3%	43.5%	156.1%	+100.3%p

Table of Contents

1 3Q21 Results

2 Highlights

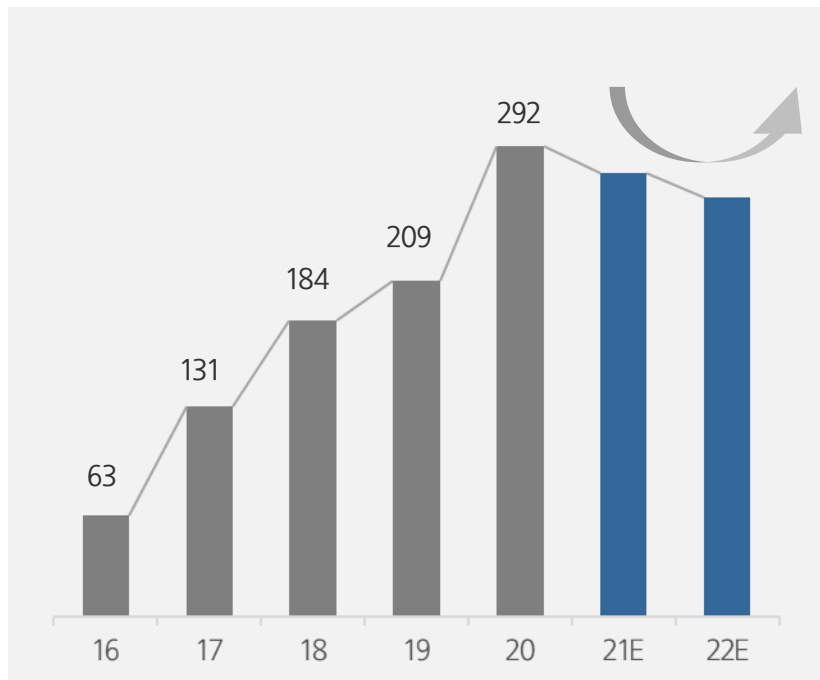
3 Synergy & Growth

Heavy (China)

- Market started to decline from 2Q due to slowing new construction projects as the Chinese government is taking stronger measures on environmental regulations and safety diagnosis. Nonetheless, we anticipate stable demand in 2022 considering raw material price trend and stronger emission standards slated for next year.
- We have significantly raised mini/small excavator prices and increased sales contribution from profitable product category such as large/wheeled equipment. We have strived to expand special equipment and aftermarket business and plan to enhance our market presence through efforts to strengthen cost/product competitiveness in China.

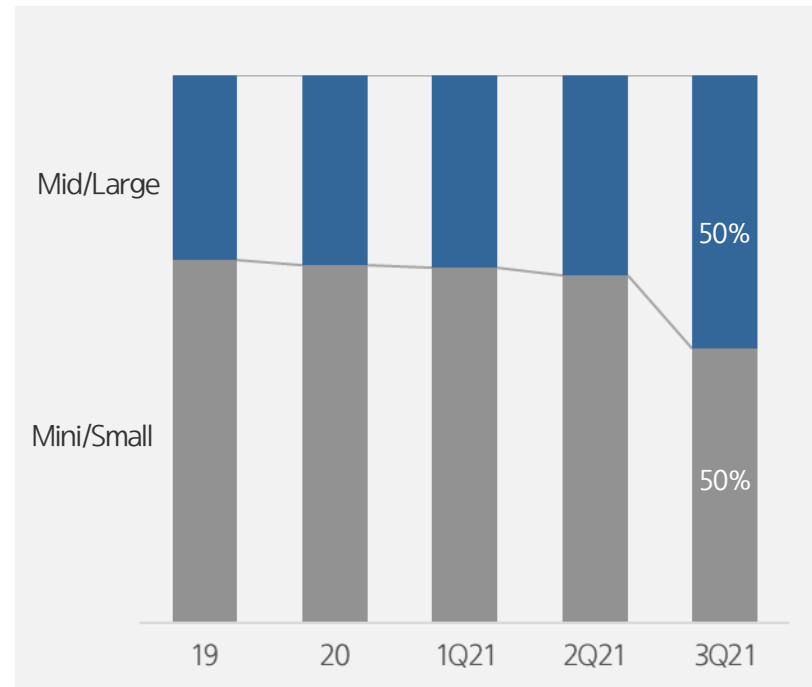
Market outlook for China

(Unit : '000 units)



* Source: CCMA

DI's product mix in China



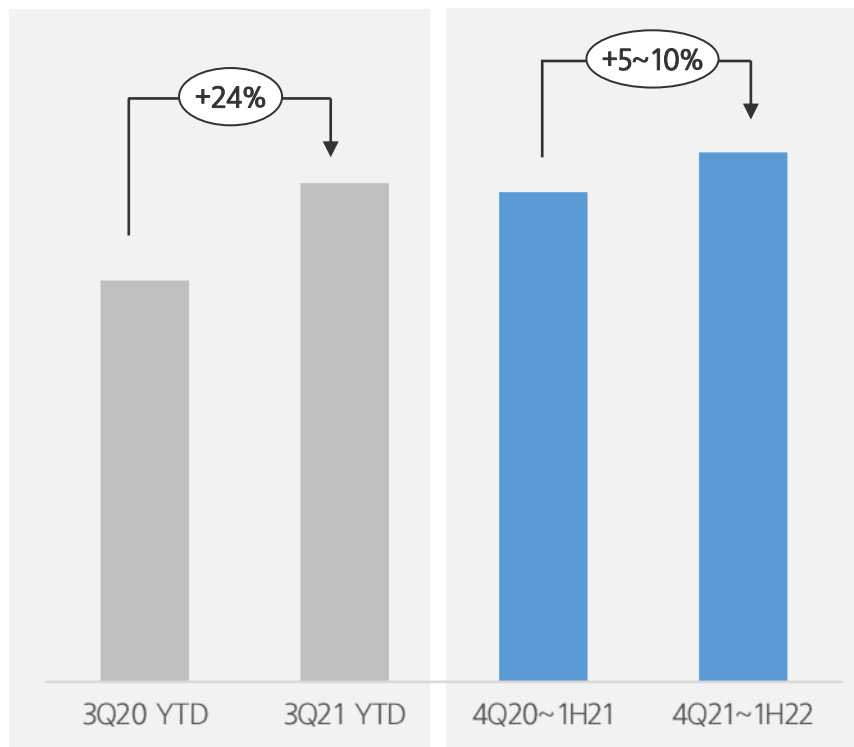
* Source: CCMA

Heavy (NA/EU)

- Developed markets have grown significantly during 3Q in line with rising vaccination rates and stimulus measures. Such steady growth is expected to continue next year.
- We expect to continue to outperform the market thanks to stronger channel competitiveness and efforts to win orders from key accounts.

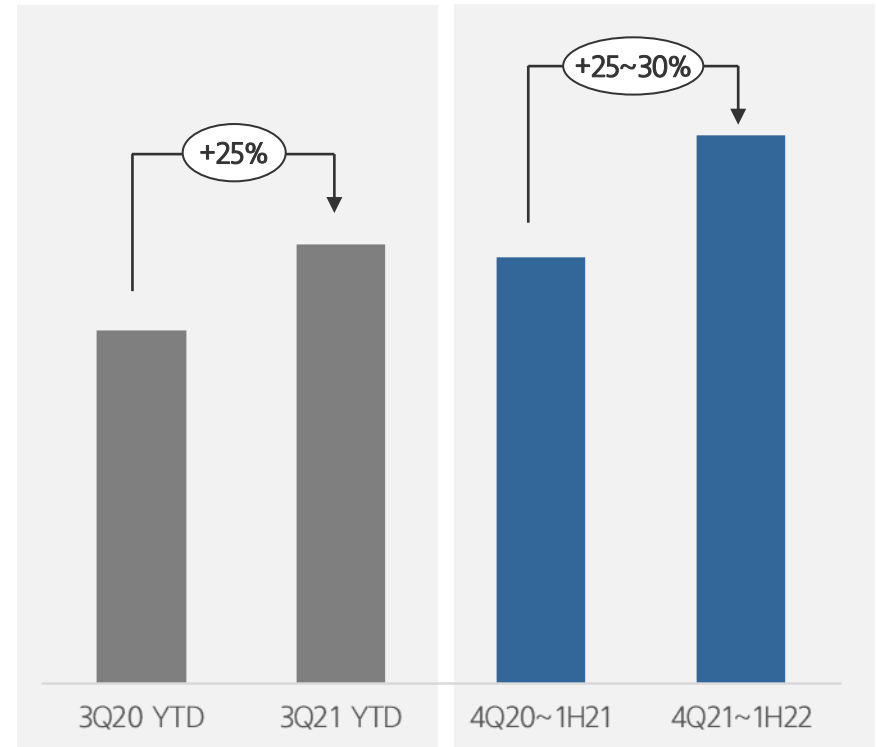
Trend & Forecast - Market

(Unit : units, YoY)



Trend & Forecast - HDI

(Unit : units, YoY)

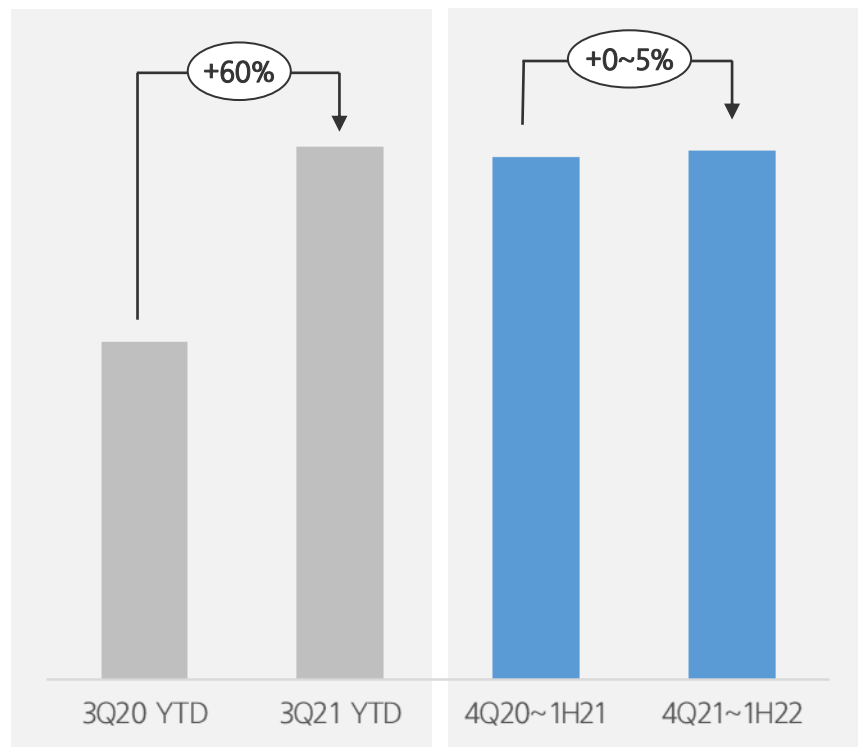


Heavy (Emerging/Korea)

- Market surged in all major regions and such upbeat trend is expected to continue in 2H thanks to rising raw material prices and government-led infrastructure investment.
- DI captured demand in emerging markets through increased sales activities for fleet orders and efforts to enhance product competitiveness. We have also minimized the impact of higher costs via price realization. We plan to launch competitive new models next year to further enhance our product lineup in the region.

Trend & Forecast - Market

(Unit : units, YoY)



Trend & Forecast - HDI

(Unit : units, YoY)

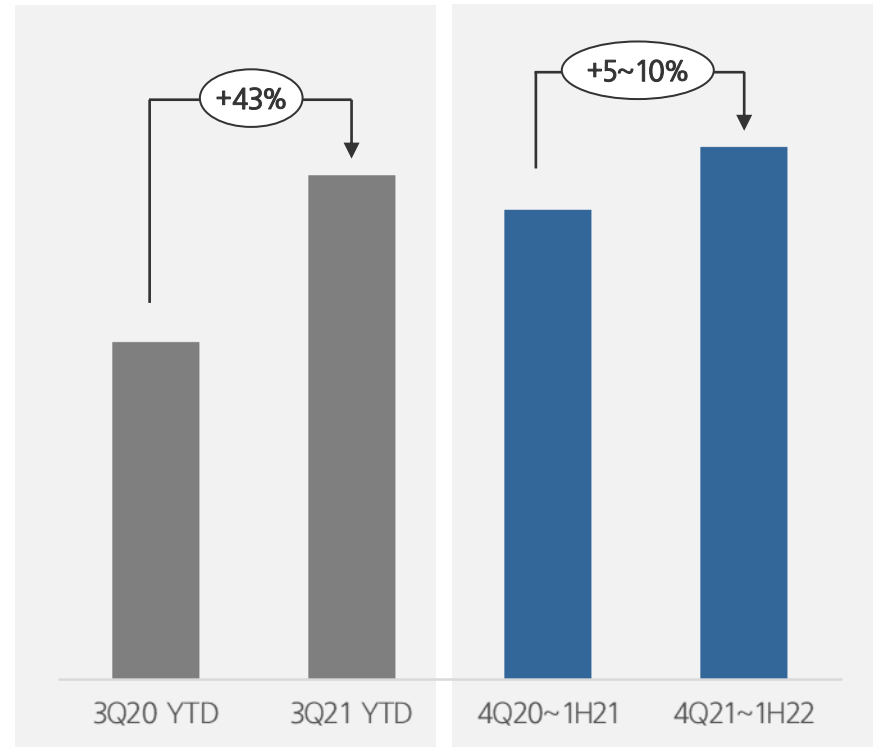


Table of Contents

1 3Q21 Results

2 Highlights

3 Synergy & Growth

Synergy – 4 major areas of synergy

- Since joining Hyundai Heavy Industries Group, four major areas of synergy are under consideration to establish solid platform to penetrate the global market and strengthen business competitiveness for construction equipment industry.

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/AS

- Complementary product offering and cross-selling non-overlapping product line-up
- Upgrading parts business by mutual benchmarking and expanding component sales
- Cross use of designated maintenance factories

3

Internalization of engines

- Expand application of HDI engines to HCE products and search for additional sales opportunities within Hyundai Heavy Industries Group

4

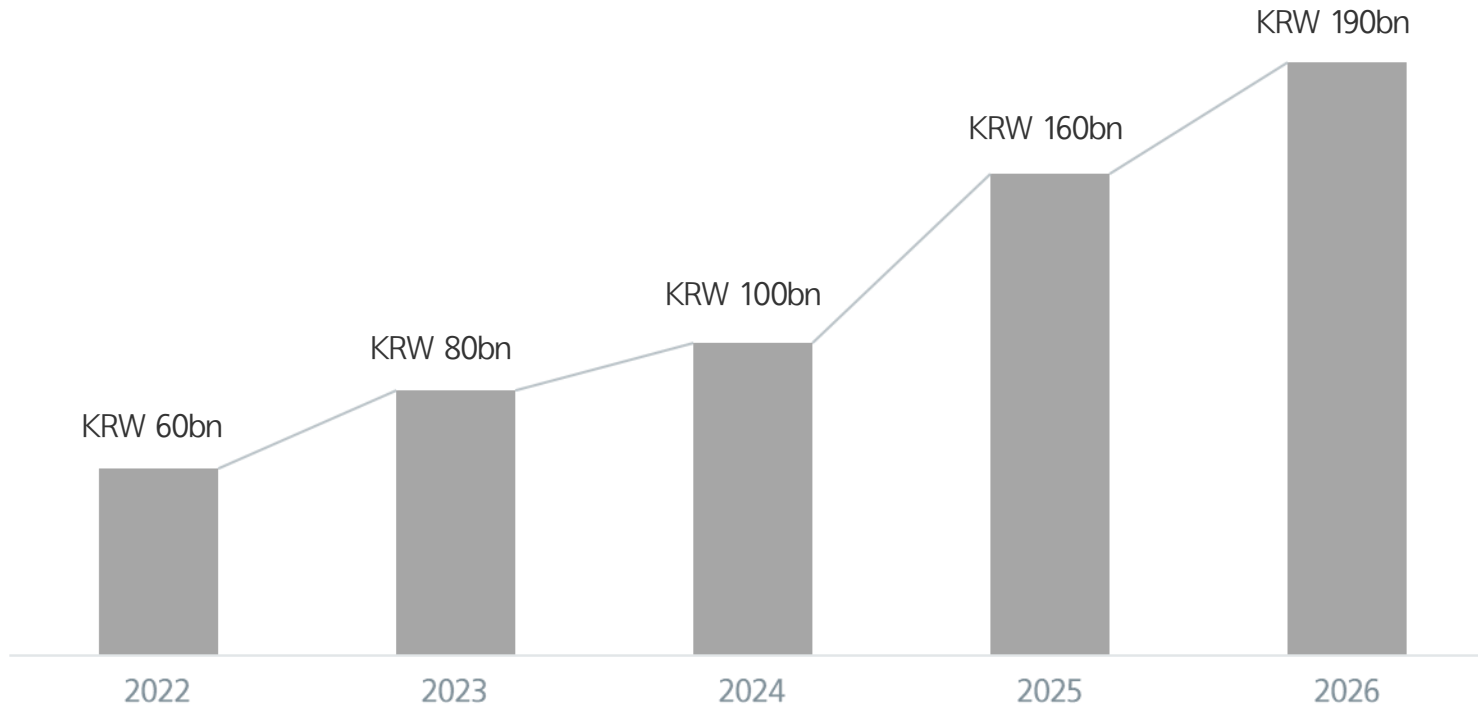
Optimization of production/ Quality/R&D and others

- Optimize R&D to develop new products and future technologies
- Establish teams to develop integrated platform and models and commonly manufacture excavators and wheel loaders for mass production
- Upgrade production management on aspects such as production process and logistics via mutual benchmarking
- Improve management efficiency

Synergy – Financial impact

- Hyundai Doosan Infracore and Hyundai Construction Equipment have jointly established cumulative synergy target of KRW 1 trillion. Both companies plan to search for tasks and opportunities to maximize synergy within the construction equipment sphere.

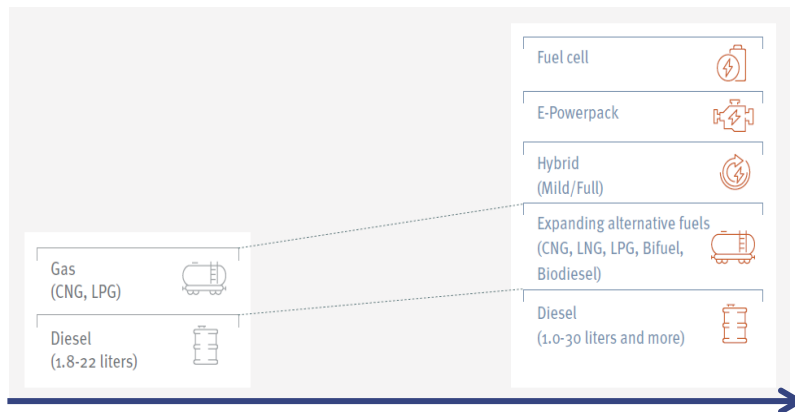
HDI's Synergy – EBIT Impact



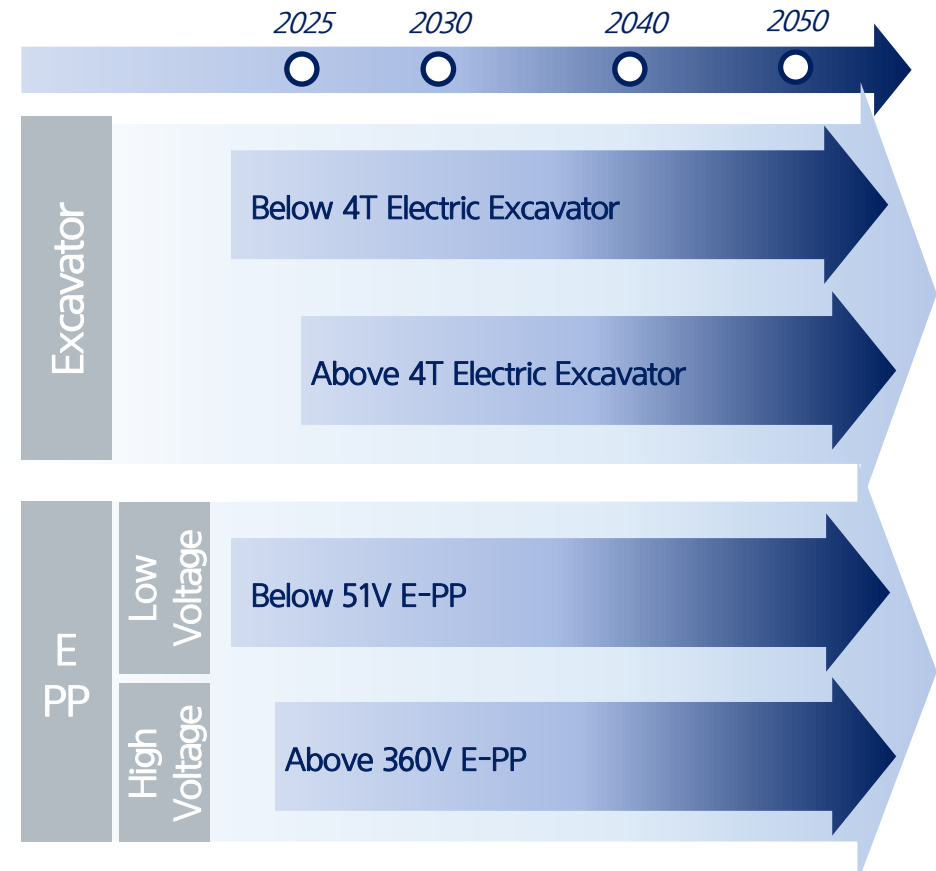
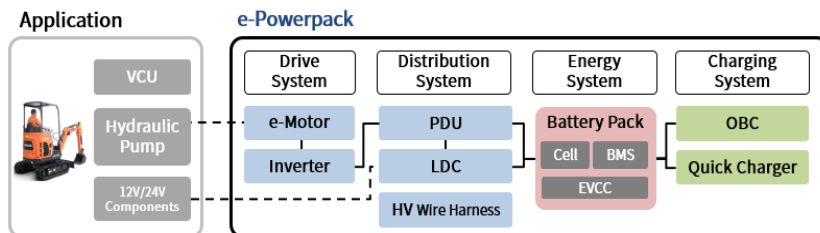
Status & Roadmap of eco-friendly products

- Demand for eco-friendly product is surging in line with global awareness of ESG matters after events such as Net-Zero Carbon Buildings Declaration at UN Climate Summit.
- HDI plans to become frontrunner in eco-friendly construction equipment with development of electric powertrain and early adaption to products.

Clean Technology Direction for Engines



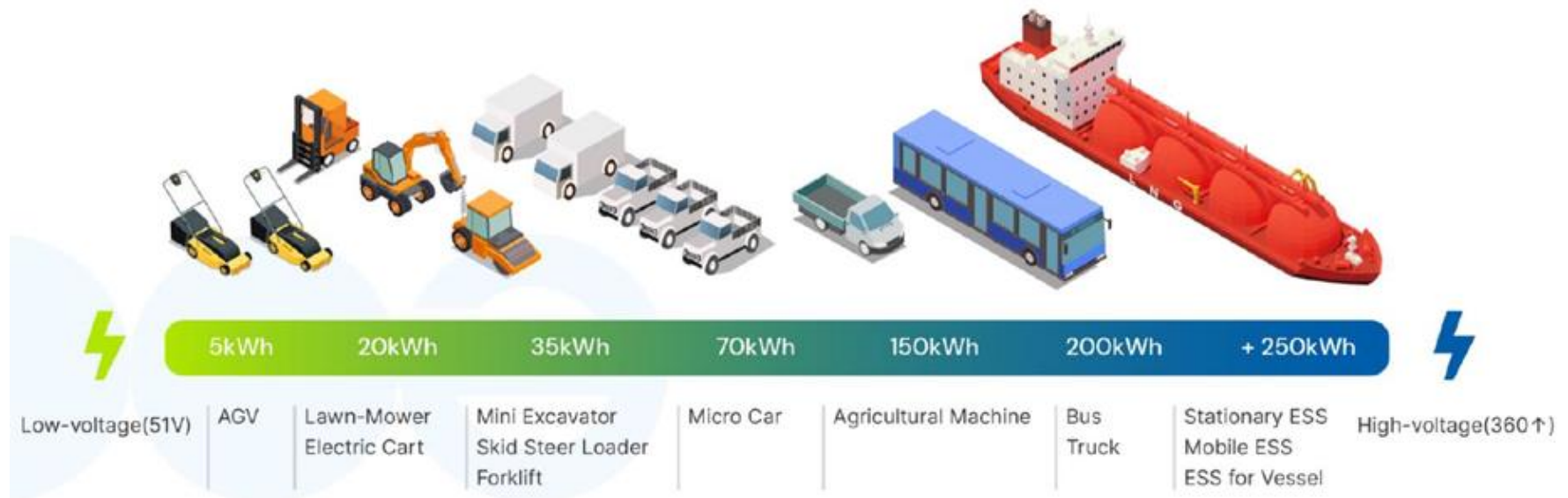
EPP - Replacement of internal combustion engines with electric power system



Impact from launching eco-friendly products (1/2)

- E-Powerpack can be provided as customized solution in terms of voltage and energy capacity to cater to customers' business environment and needs.
- It has a variety of applications such as construction/industrial equipment/agricultural equipment/electric carts/trucks/bus/ESS.

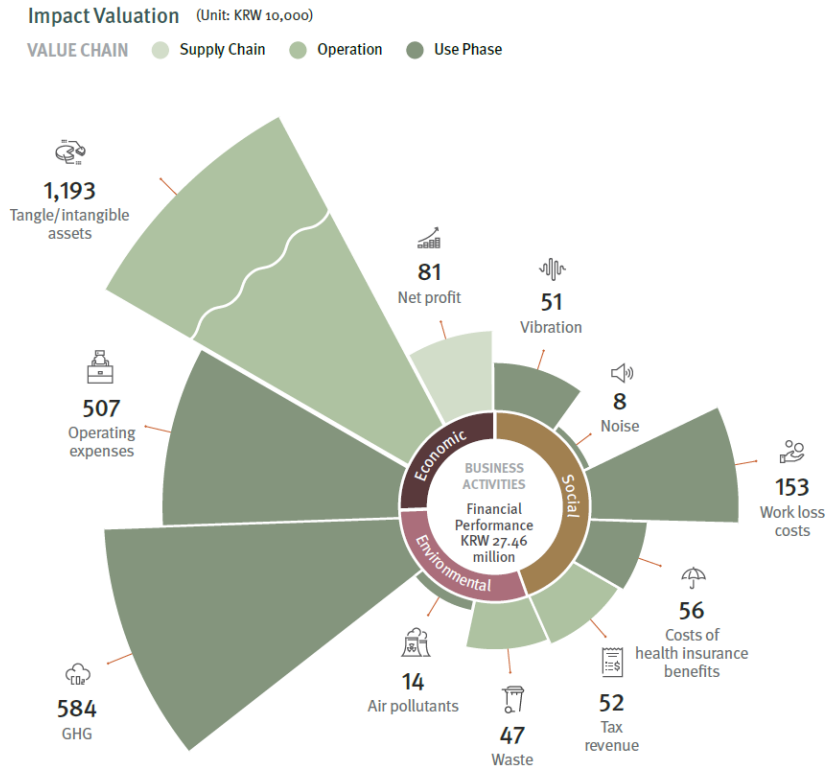
Business scope of E-Powerpack



Impact from launching eco-friendly products (2/2)

- Economic/Social/Environmental value of an electric excavator is estimated at approx. KRW27 million.
- From an ESG standpoint, electrification of equipment should not only benefit customers financially, but have also substantially healthcare and medical benefits thanks to its positive impact on environment.

Financial Impact - Electric Excavator



Value Add-up

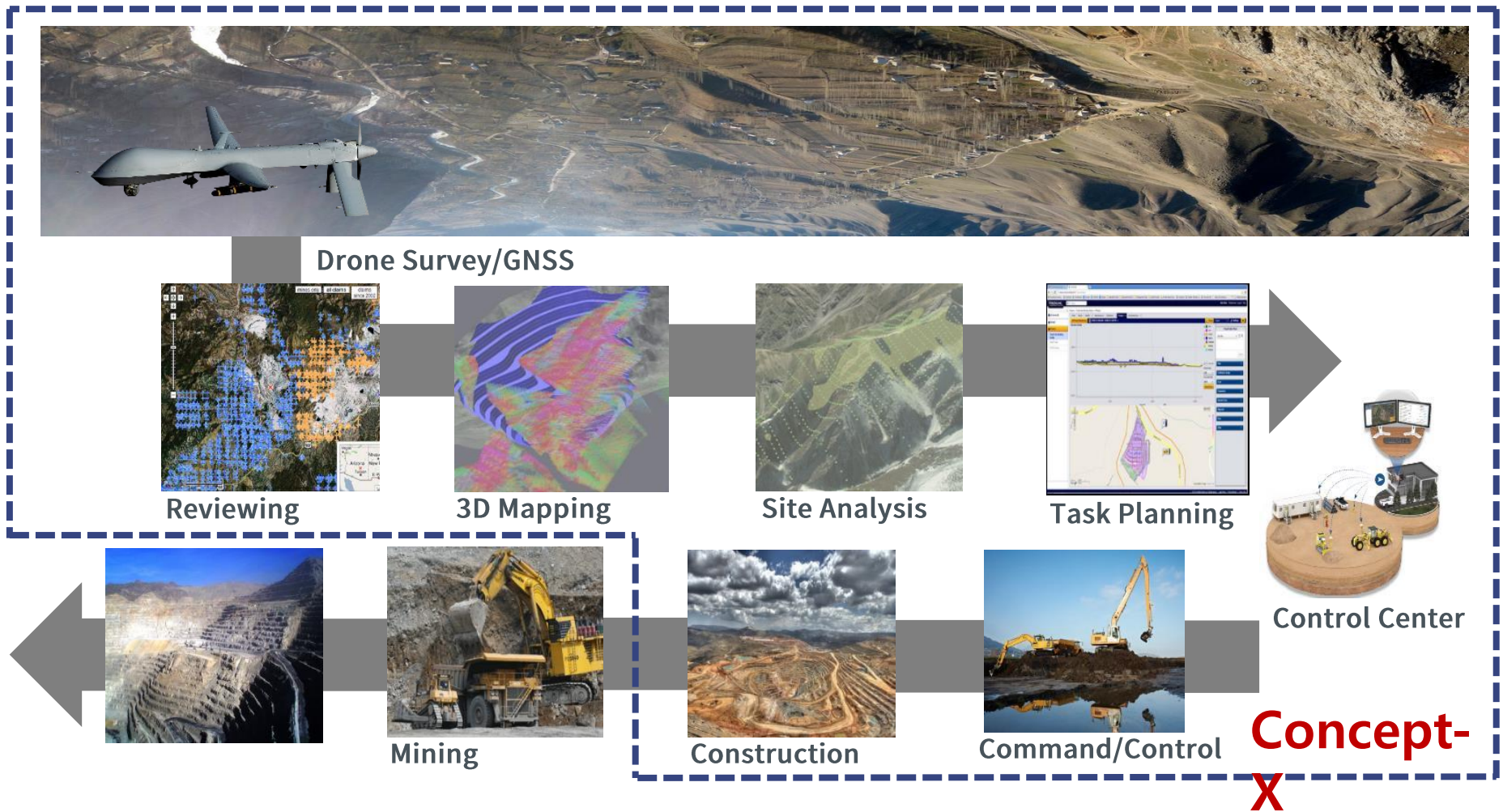
Per one electric excavator

Approximately
KRW 27.46 million

Creating a value of KRW 27.46 million per each electric excavator from the economic, social, and environmental perspective, compared to the diesel excavator
(Assuming average usage of 750 hours a year for 5 years)

Smart Construction – Concept & Scope of Concept-X

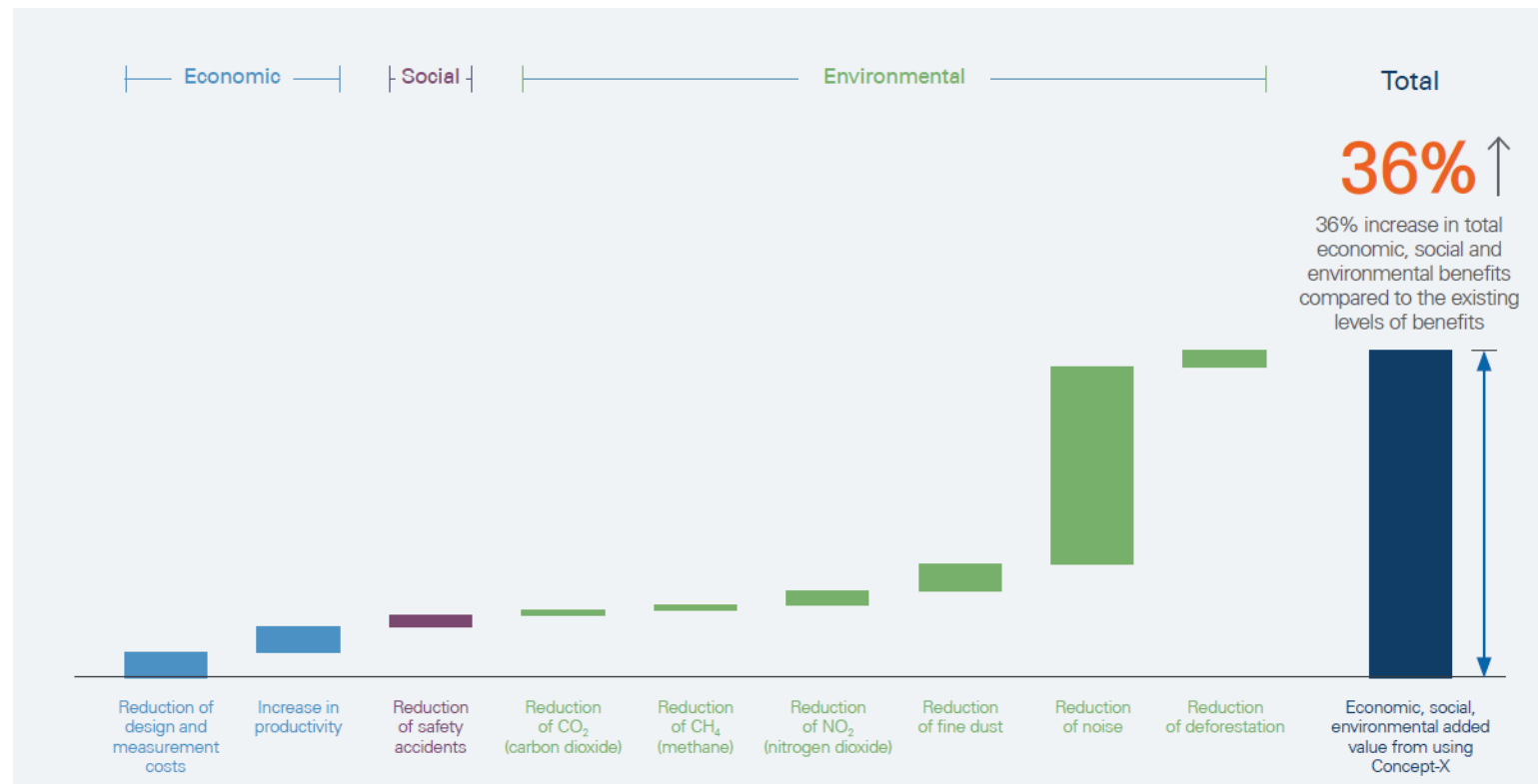
- HDI launched the Concept-X project to integrate new technologies on ICT(Information and Communications Technology) and AI(Artificial Intelligence) for construction sites with the goal of satisfying customer needs and creating new business opportunities.



Smart Construction – Future benefit (1/2)

- Calculation of benefits of Concept-X projected at the virtual construction site shows an increase of around 36% in total economic, social and environmental benefits. They are represented by a varying degree of reduction of overall construction costs and time, including design and land survey, work injury losses, and environmental impact (greenhouse gas emissions, fine dust, noise, forest damage, etc.) during construction.

Economic, Social and Environmental Benefits



[Reference] Smart Construction – Future benefit (2/2)

Results

(Unit: KRW million)

Impact	Economic, social and environmental costs of previous construction (A)	Economic, social and environmental costs when Concept-X is applied (B)	Economic, social and environmental benefits of using Concept-X (A-B)
Reduction of design and land survey costs	56,382	10,825	+ 45,557
Increase in worker productivity	33,272	2,697	+ 30,575
Reduction of safety accidents	824	275	+ 549
Reduction of greenhouse gas emissions	1,374	922	+ 452
Reduction of fine dust	35,329	13,915	+ 21,414
Reduction of noise pollution	1,566,014	1,050,795	+ 515,219
Reduction of deforestation	11,533	7,739	+ 3,794
Total	1,704,728	1,087,168	+ 617,560

Note: As for a hypothetical construction environment in which it could evaluate the potential benefits of Concept-X, Doosan Infracore chose a specific construction project, among recent large-scale construction projects in Korea, of which costs and environmental impact data were possible to calculate. The company then calculated the value that the adoption of the Concept-X would generate in such environment in comparison with the existing construction site.

Note: All figures were rounded off, and therefore small differences may occur in sums.

36% increase in total economic, social and environmental benefits compared to the existing levels of benefits



[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
2018	Market	9,547	9,723	36,643	25,034	17,780	12,449	9,316	10,087	11,702	13,490	14,150	14,269	184,190
	DI	710	1,018	3,288	2,180	1,595	1,314	613	683	860	991	1,082	1,293	15,630
	M/S	7.4%	10.5%	9.0%	8.7%	9.0%	10.6%	6.6%	6.8%	7.3%	7.3%	7.6%	9.1%	8.5%
2019	Market	10,134	17,266	41,884	26,342	16,717	12,409	10,171	11,536	13,162	14,869	17,149	17,230	208,869
	DI	701	1,603	3,439	1,802	1,088	1,074	539	629	969	1,041	1,262	1,123	15,270
	M/S	6.9%	9.3%	8.2%	6.8%	6.5%	8.7%	5.3%	5.5%	7.4%	7.0%	7.4%	6.5%	7.3%
2020	Market	7,749	6,893	46,201	43,367	29,513	21,724	16,243	18,067	22,578	23,872	28,830	27,314	292,351
	DI	370	482	3,151	3,239	2,166	1,320	943	1,126	1,551	1,418	1,692	1,228	18,686
	M/S	4.8%	7.0%	6.8%	7.5%	7.3%	6.1%	5.8%	6.2%	6.9%	5.9%	5.9%	4.5%	6.4%
2021	Market	16,019	24,547	72,968	41,093	22,066	16,954	12,318	12,346	13,931				232,242
	DI	807	1,754	4,591	2,302	878	643	227	230	404				11,836
	M/S	5.0%	7.1%	6.3%	5.6%	4.0%	3.8%	1.8%	1.9%	2.9%				5.1%

• Construction Equipment : Regional sales breakdown

(Unit : KRW billion)

	1Q20	2Q20	3Q20	4Q20	2020	YoY	1Q21	2Q21	3Q21	YoY
China	311.5	527.5	308.9	319.2	1,467.2	+17.0%	523.5	312.2	119.0	-61.5%
Emerging/Korea	337.5	241.8	241.4	239.5	1,060.1	-2.1%	422.1	427.0	372.2	+54.2%
NA/EU	198.7	181.1	197.5	171.9	749.2	-7.8%	227.7	291.4	266.5	+34.9%
Total	847.7	950.4	747.8	730.6	3,276.6	+4.1%	1,173.3	1,030.6	757.7	+1.3%