



Doosan Infracore

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2018 1Q Earnings Release

April 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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1Q18 Results

- Sales increased 25% year-on-year thanks to continued favorable trends in all businesses.
- EBIT improved 63% year-on-year primarily due to sales growth, improved sales mix and operating leverage.
- Net profit increased considerably thanks to impact from U.S. tax reform via Bobcat.

Income Statement

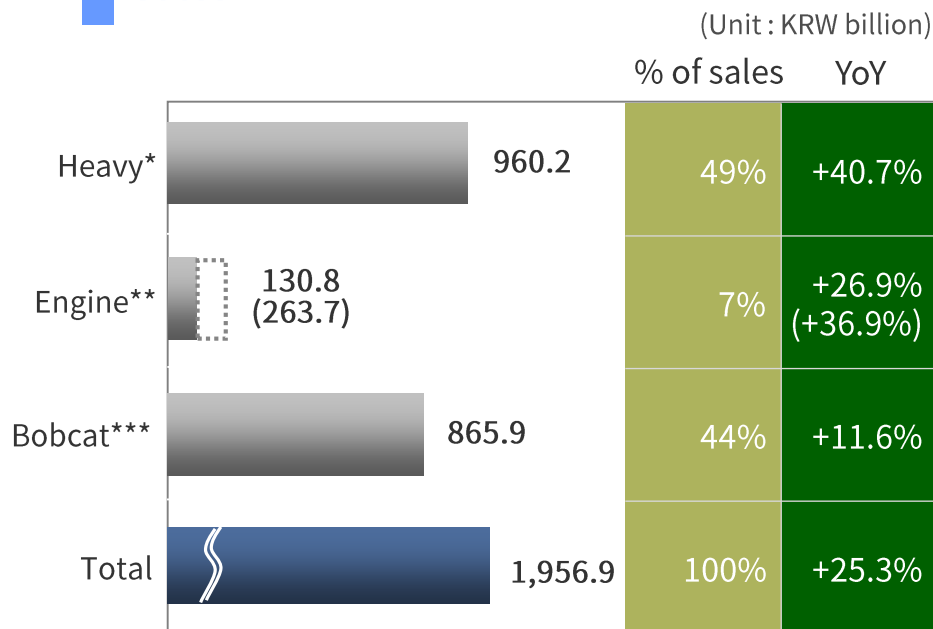
(Unit : KRW billion)

	1Q17	4Q17	1Q18	YoY	QoQ
Sales	1,561.6	1,648.4	1,956.9	+25.3%	+18.7%
EBIT	148.4	153.8	241.6	+62.8%	+57.1%
EBIT margin(%)	9.5%	9.3%	12.3%	+2.8%p	+3.0%p
(Net Financial Cost)	44.7	51.0	47.7	+6.6%	-6.4%
(F/X gains/losses)	41.7	-1.2	13.1	-68.6%	-
Net Profit	74.3	61.5	141.4	+90.3%	+129.8%

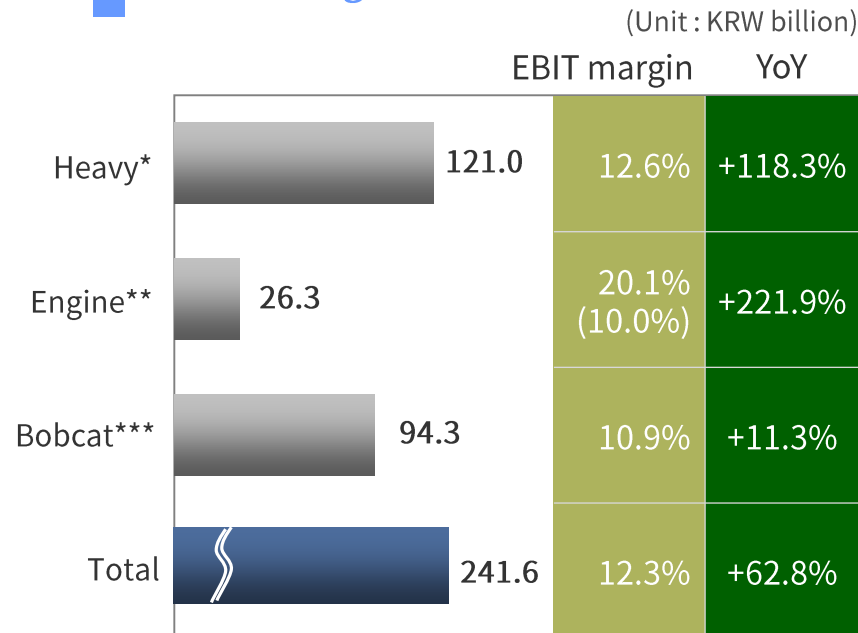
1Q18 Sales and EBIT by division

- Heavy : Revenue increased substantially thanks to strong performance in China and developed markets. In addition, EBIT surged due to operating leverage.
- Engine : Revenue grew particularly from internal customers, while EBIT growth was even stronger thanks to product mix improvement.
- Bobcat : Growth stemmed from solid market demand and increased production.

Sales



EBIT & Margin



* 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

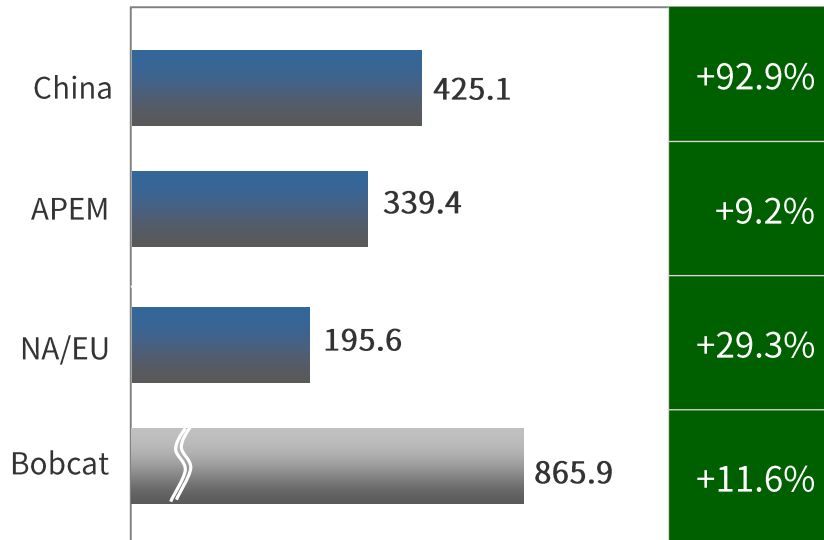
Note : Sales breakdown based on 3rd party revenue

Regional breakdown (Construction equipment)

- China : Sales increased substantially in 1Q thanks to continued infrastructure investment + demand for mid/large-sized equipment + enhanced competitiveness.
- APEM : Revenue increased on the back of sales growths in all key regions.
- NA/EU : Sales increased 29% year-on-year due to demand growth supported by economic recovery in developed market and market share expansion.
- Bobcat : Sales improved in line with demand growth and enhanced product line-up.

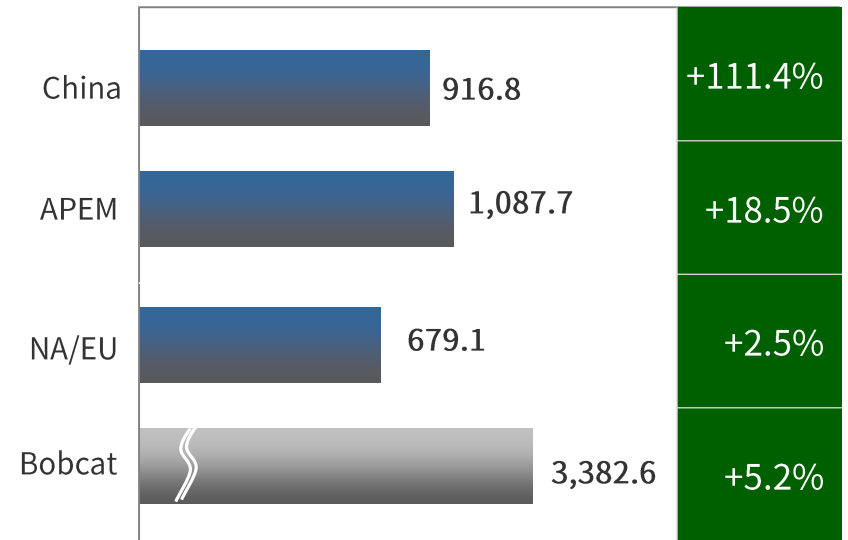
CE regional breakdown(1Q18)

(Unit : KRW billion)
YoY



CE regional breakdown(2017)

(Unit : KRW billion)
YoY



Financial structure

- Net debt decreased as a result of increase in cash from operations and favorable impact from currency.
- Despite seasonal increase in account payables, liability/equity ratio remained largely unchanged compared to end-2017 thanks to increase in net income.

Balance Sheet

(Unit : KRW billion)

	2016	2017	1Q18	Compared to 2017
Current Assets	3,049.6	3,767.4	4,350.4	+583.0
Fixed Assets	6,977.2	6,508.7	6,530.3	+21.7
Total Assets	10,026.8	10,276.1	10,880.7	+604.6
Total liabilities	6,578.4	7,102.9	7,538.9	+436.0
- Net Debt	3,764.0	3,618.6	3,500.7	-117.9
Total shareholder's Equity	3,448.4	3,173.2	3,341.8	+168.6
Liabilities/Equity Ratio	190.8%	223.8%	225.6%	+1.8%p

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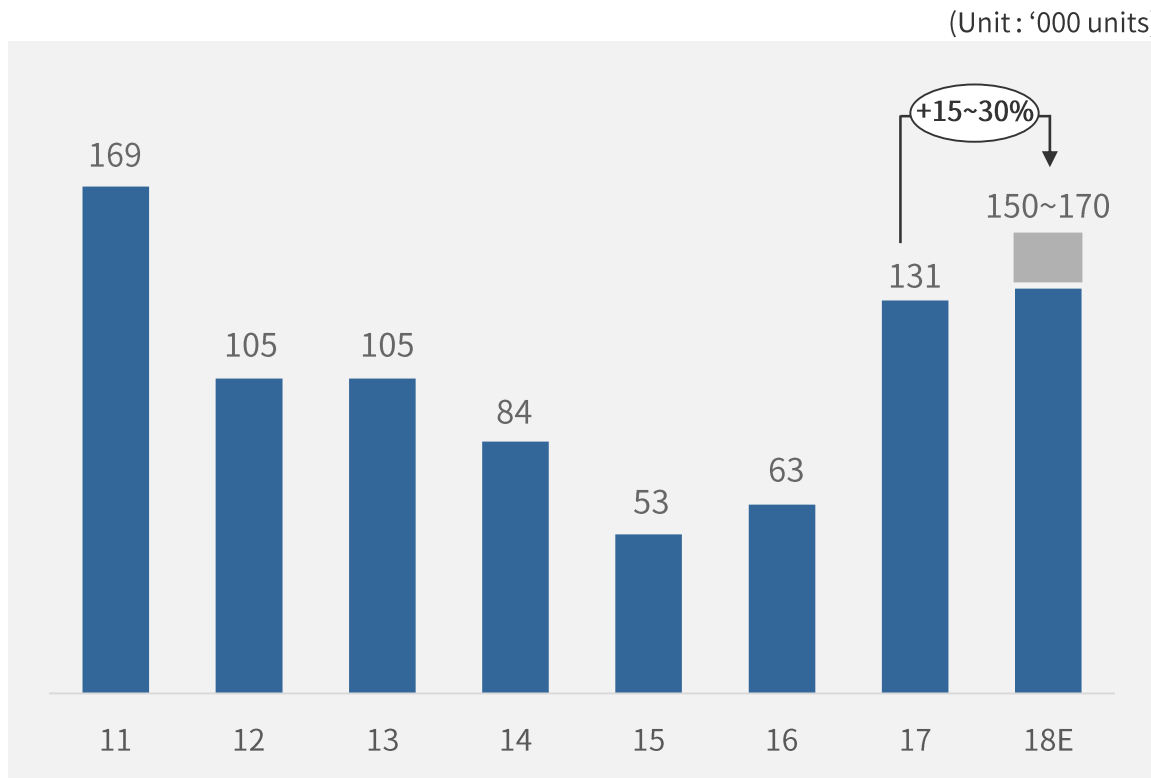
1 1Q18 Results

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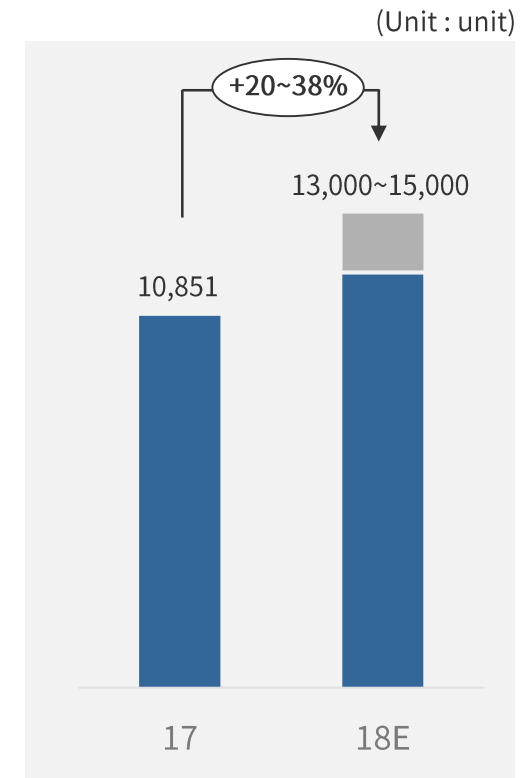
Heavy (China) – Upward Revision of Outlook

- Reflecting the strong performance in 1Q18, continued infrastructure investment and growing demand from the mining industry, we upwardly revise our 2018 outlook for Chinese excavator market and DI's sales volume to 150-170K units and 13,000~15,000 units, respectively.

Outlook : Excavator market in China



DI's Outlook



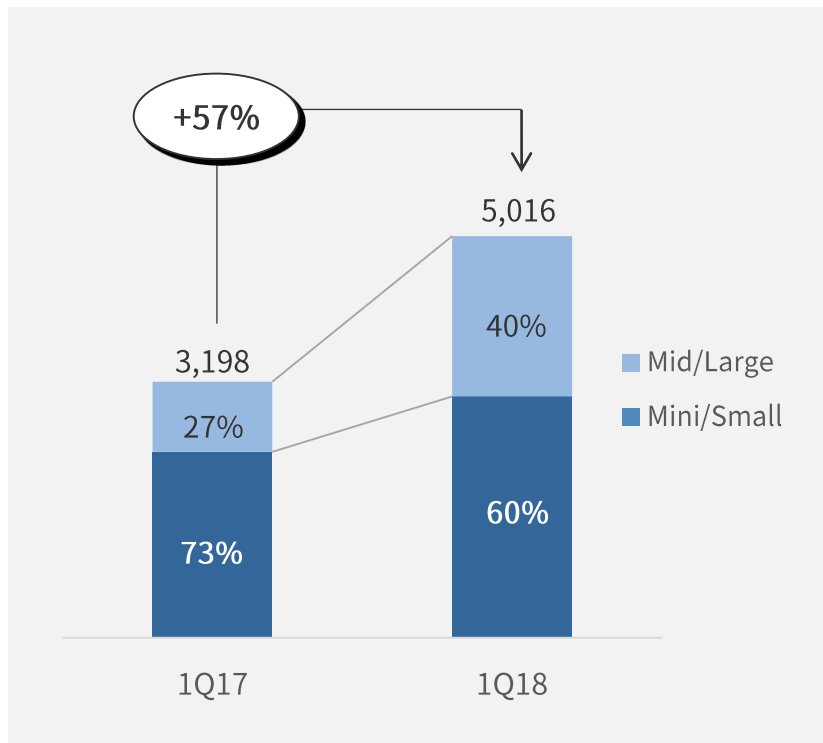
* Source: CCMA

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

- Sales volume increased 57% year-on-year in tandem with product mix improvement towards more mid/large sized excavators, thanks to strong demand from infrastructure investment and mining activities. Accordingly, average selling price increased 16% YoY.

DI's sales volume & mix trend in China

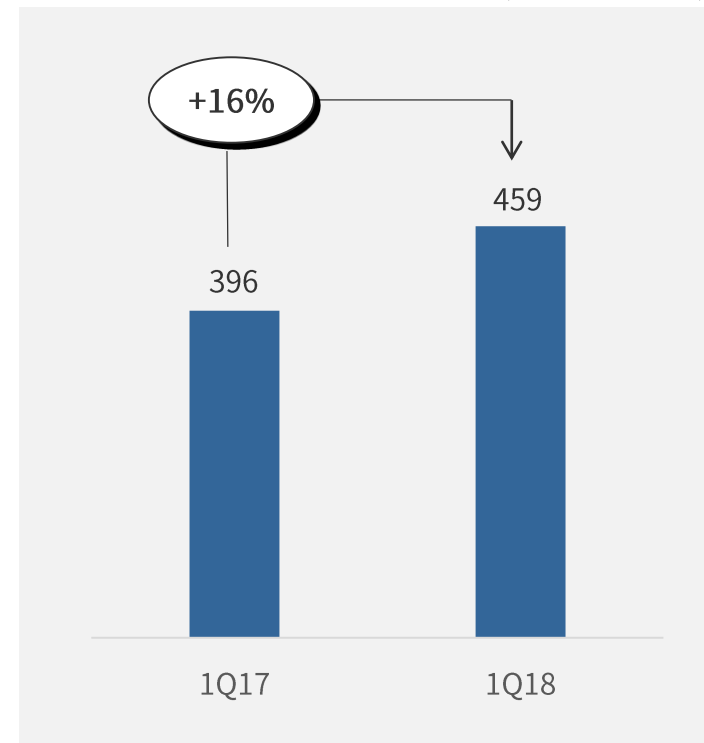
(Unit : unit)



* Source: CCMA

DI's ASP trend in China

(Unit : '000 RMB)

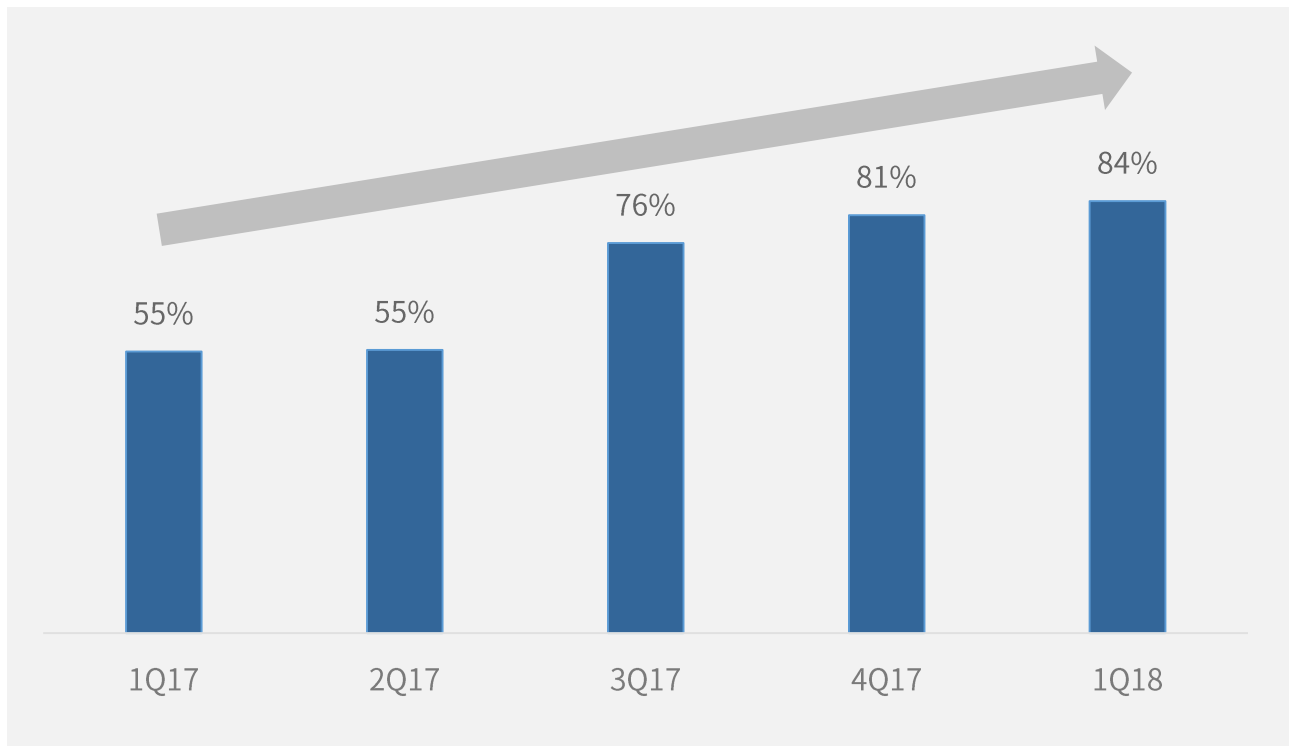


* Source: Company data

Heavy (China) – Sales with both profitability and stability

- Based on solid demand in China, DI endeavored to expand cash sales and sales with high level of advanced payment to minimize the risk of sales receivables and maintain stable cash flow.

Sales of cash sales + sales with high level of advanced payment*



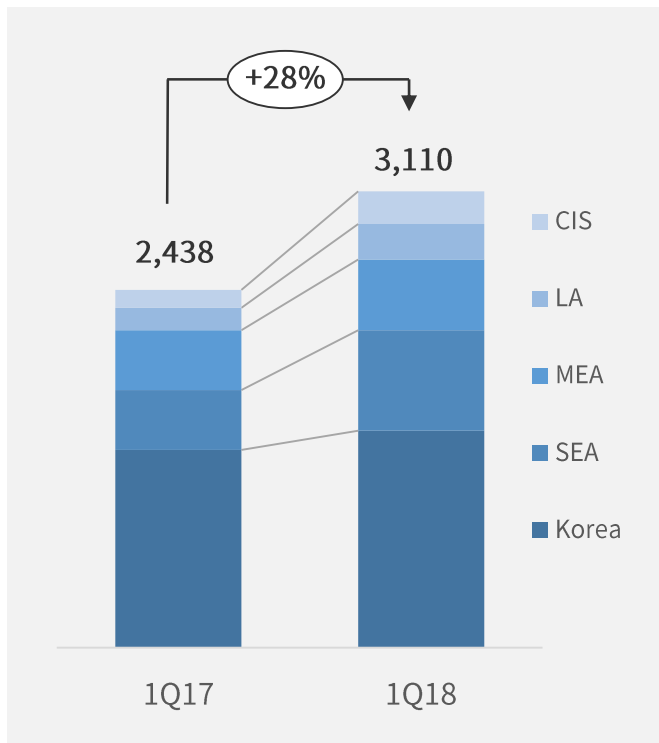
* Sales with high level of advanced payment : Sales with 60% or more advanced payment, Company data

Heavy (APEM) – Sales growth + Market share expansion

- APEM demand showed stable growth due to continued global infrastructure investment and increase in raw material prices.
- DI has been outperforming the market through expansion of channel coverage in APEM and increased sales activities for fleet orders.

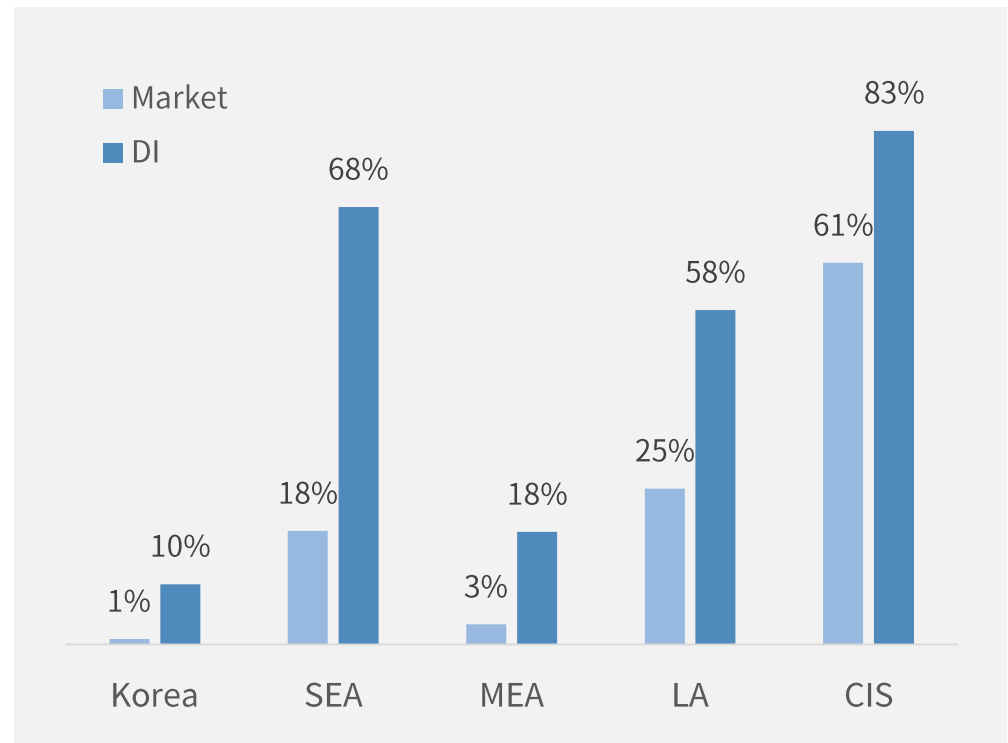
APEM sales volume - DI

(Unit : unit)



APEM sales volume – Market vs. DI

(Unit : % YoY)

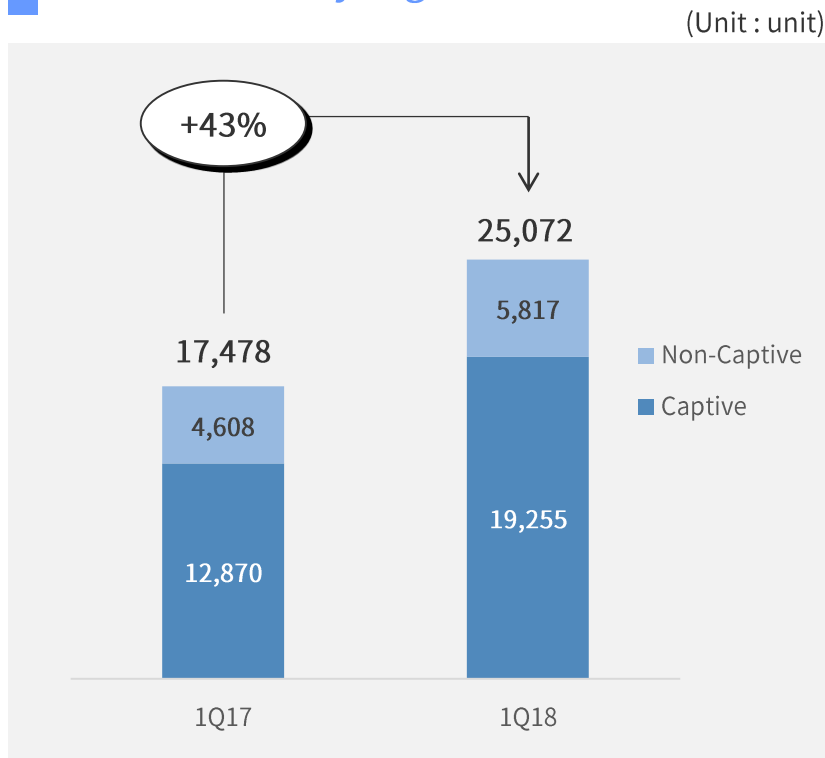


* Source: Company data

Engine – Expansion of internal/external sales + profit improvement

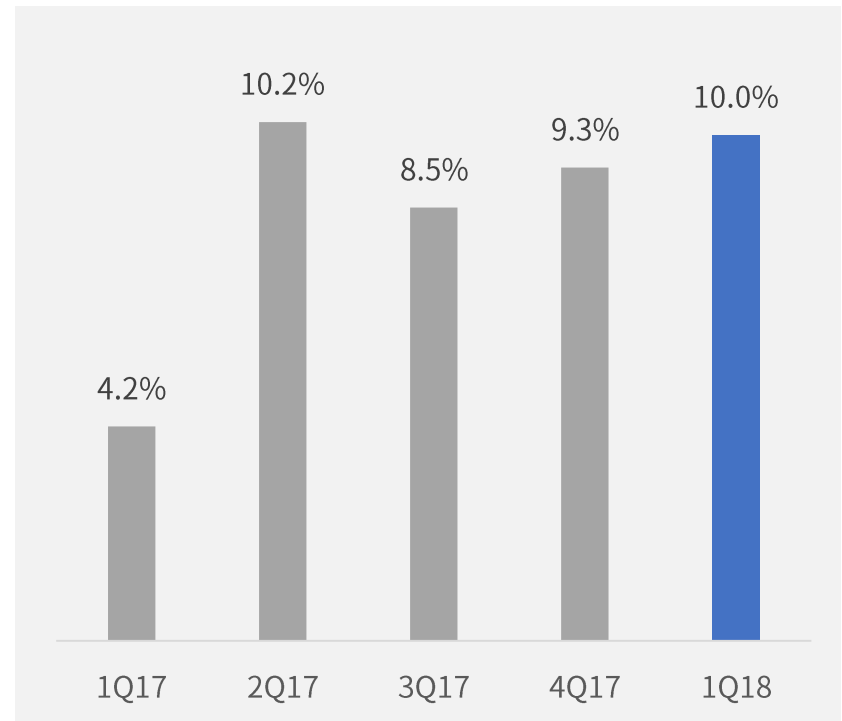
- Sales volume increased substantially with solid demand from Heavy/Bobcat and growing demand for generator engines related to US shale gas production.
- EBIT margin improved 5.8%p YoY in line with volume growth and product mix improvement.
- Efforts towards new biz opportunities are likely to bear fruit with the upcoming change in emission standard to Stage5.

Sales volume by segment



* Figures based on total sales, which includes internal sales

EBIT improvement trend



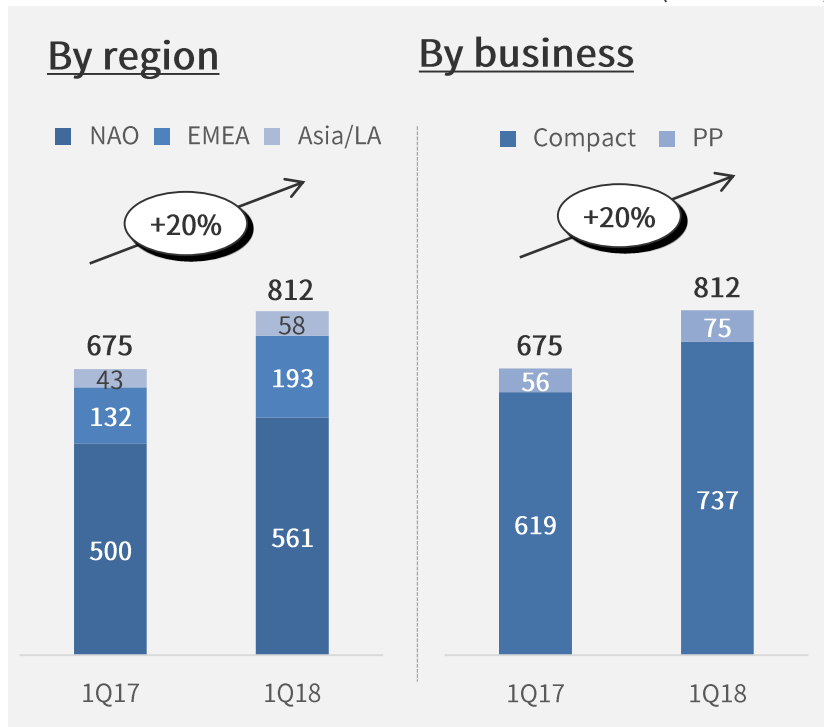
* Figures based on total sales, which includes internal sales

Doosan Bobcat – Remarkable sales growth by region/business

- Sales increased remarkably in all regions and business segments during 1Q on the back of favorable market demand.
- Based on solid performance, DBI will achieve top-class profitability and financial stability.

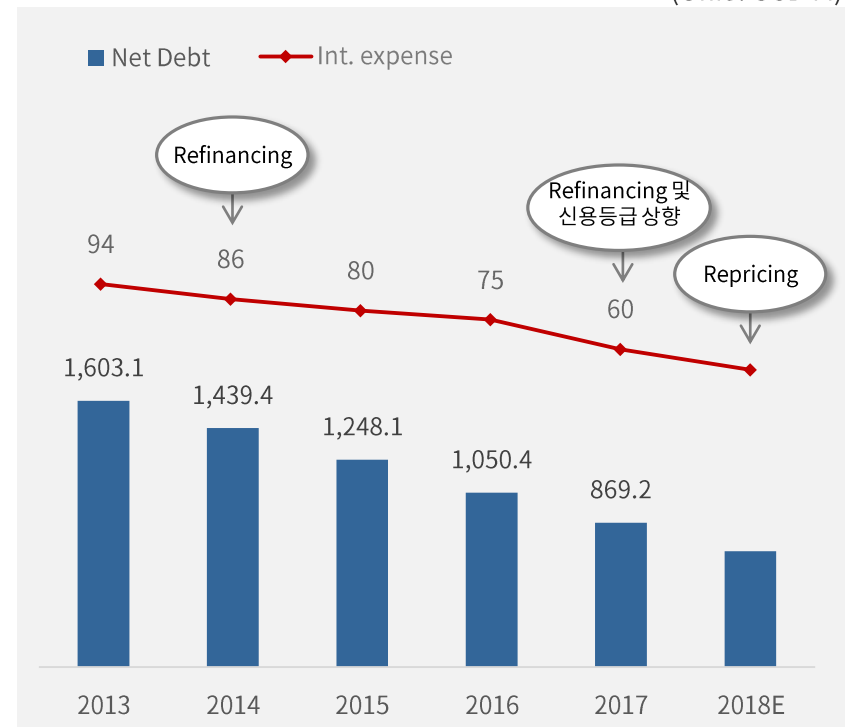
Sales by Region/Business

(Unit : USD M)



Annual net debt & interest expense trend

(Unit : USD M)



* Source: Company data



[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										55,913
	DI	710	1,018	3,288										5,016
	M/S	7.4%	10.5%	9.0%										9.0%

• Construction Equipment : Regional sales breakdown

(Unit : KRW billion)

Region	1Q17	2Q17	3Q17	4Q17	2017	1Q18	YoY
China	220.4	258.4	175.7	262.2	916.8	425.1	+92.9%
APEM	310.7	302.6	258.3	216.1	1,087.7	339.4	+9.2%
NA/EU	151.3	188.5	177.5	161.8	679.1	195.6	+29.3%
Bobcat	776.1	885.9	834.3	886.2	3,382.6	865.9	+11.6%
Total	1,458.5	1,635.4	1,445.9	1,526.4	6,066.1	1,826.1	+25.2%