



Doosan Infracore

Doosan Infracore

2019 3Q Earnings Release

October 2019



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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3Q19 Results

- Sales increased YoY thanks to continued favorable trend in the engine business and Bobcat.
- EBIT decreased due to investment into new businesses and temporary increase in promotional expenses.

Income Statement

(Unit : KRW bn)

	3Q18	3Q19	YoY	3Q18 YTD	3Q19 YTD	YoY
Sales	1,845.8	1,856.7	+0.6%	5,946.8	6,239.3	+4.9%
EBIT	191.5	154.6	-19.3%	706.1	701.8	-0.6%
EBIT margin(%)	10.4%	8.3%	-2.1%p	11.9%	11.2%	-0.7%p
(Net Financial Cost)	46.5	42.2	-9.2%	140.3	129.7	-7.6%
(F/X gains/losses)	-7.0	-0.5	-	-12.2	7.4	-
Net Profit	88.7	53.3	-39.9%	373.0	356.8	-4.3%

3Q19 Sales and EBIT by division

- Heavy : Sales declined due to weak sales in China and emerging markets. EBIT dipped further due to investment into new businesses.
- Engine : Revenue was stable thanks to favorable generator engine sales and Bobcat. However, EBIT declined due to deterioration in sales mix.
- Bobcat : Revenue continued to grow on the back of demand from Europe and emerging markets. However, EBIT declined due to raw material price hike and cost related to new product launches.

Sales

	(Unit : KRW bn)	% of sales	YoY
Heavy	601.4	32%	-11.4%
Engine*	148.0 (288.2)	8%	+8.3% (+7.6%)
Bobcat	1,107.3	60%	+7.5%
Total	1,856.7	100%	+0.6%

EBIT & Margin

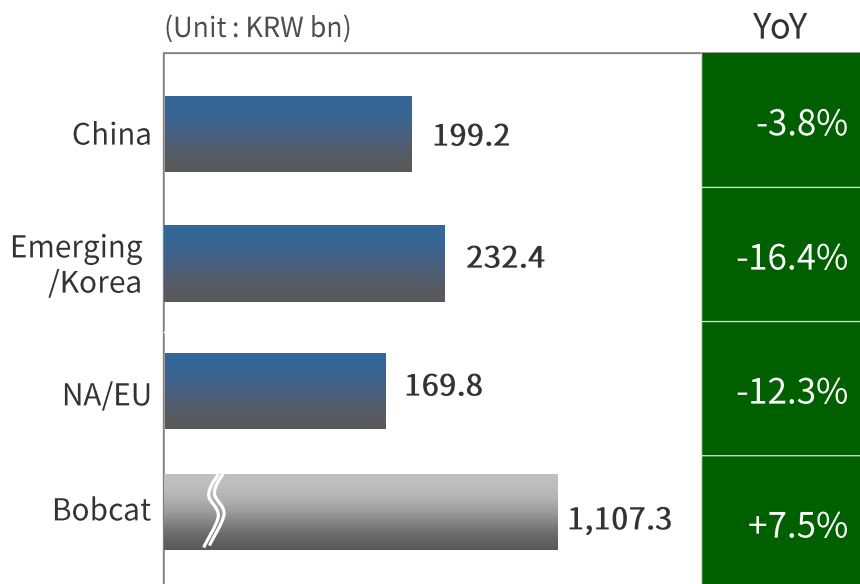
	(Unit : KRW bn)	EBIT margin	YoY
Heavy	20.6	3.4%	-46.9%
Engine*	23.6	16.0% (8.2%)	-20.9%
Bobcat	110.4	10.0%	-10.2%
Total	154.6	8.3%	-19.3%

* Numbers in parenthesis are based on total sales of engine business, which includes internal sales
 Note : Sales breakdown based on 3rd party revenue

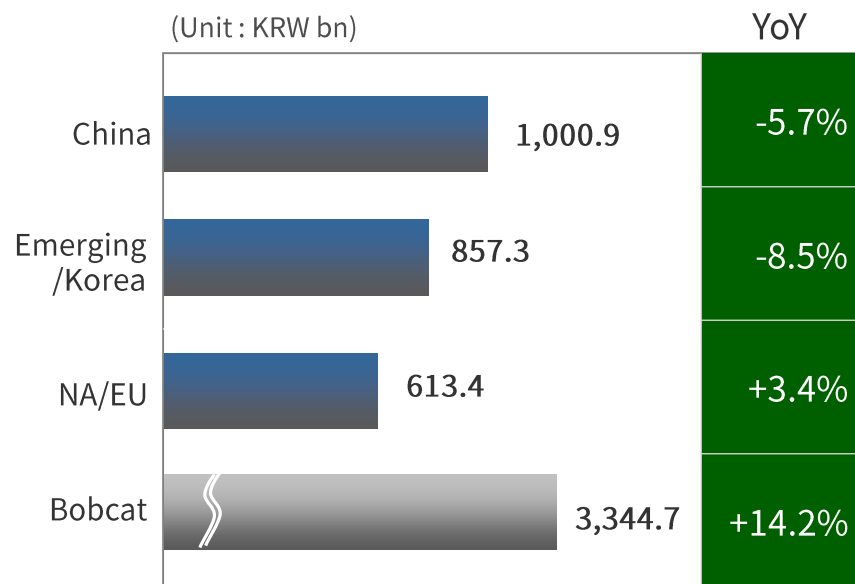
Regional breakdown (Construction equipment)

- China : Sales decreased YoY as we remained focused on risk management of sales receivable.
- Emerging/Korea : Market decreased due to sluggish demand in the region. However, our market share improved YoY.
- NA/EU : Sales volume increased YoY in line with market demand, but revenue decreased due to deterioration in sales mix as volume increased for mini/small-sized equipment.

CE regional breakdown(3Q19)



CE regional breakdown(3Q19 YTD)



Financial structure

- Net debt increased by KRW463.0bn due to unfavorable impact from currency (KRW115.1bn) and increase in investments (KRW306.9bn including CAPEX).
- However, liability/equity ratio decreased by 19%p thanks to improvement in net income and resultant increase in shareholders' equity.

Balance Sheet

	2018	1Q19	2Q19	3Q19	(Unit : KRW bn) Compared to 2018
Current Assets	4,426.8	5,392.9	4,769.4	4,644.2	+217.4
Fixed Assets	6,602.3	6,734.3	6,953.3	7,082.9	+480.6
Total Assets	11,029.2	12,127.1	11,722.7	11,727.1	+698.0
Total liabilities	7,208.4	8,135.5	7,479.0	7,385.6	+177.3
- Net debt	2,998.9	3,079.5	3,190.7	3,461.9	+463.0
Total shareholder's Equity	3,820.8	3,991.7	4,243.7	4,341.5	+520.7
Liabilities/Equity Ratio	188.7%	203.8%	176.2%	170.1%	-18.6%p

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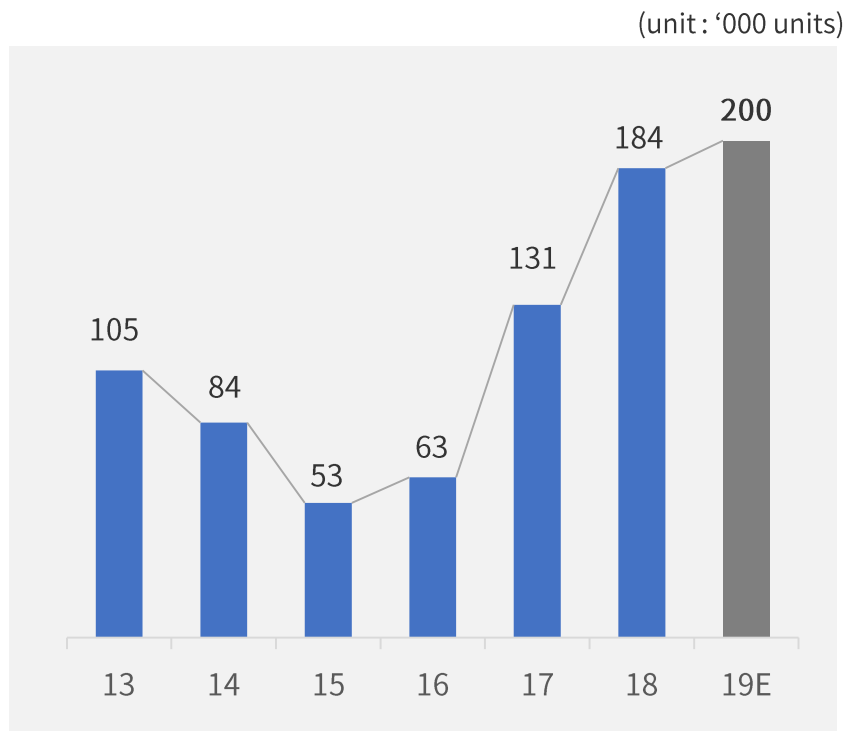
1 3Q19 Results

2 Highlights

Heavy (China) – Product competitive to support market position

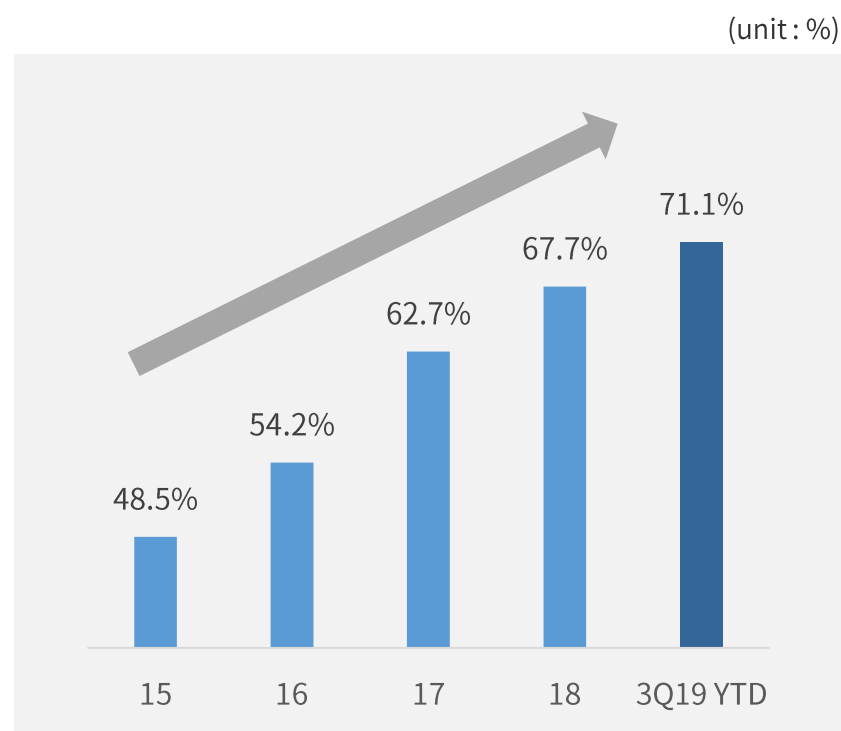
- Excavator market in China continues to grow thanks to infrastructure investment. We continued to focus our efforts to minimize risk of sales receivables, while, gaining market share alongside the top 6 players in the market.
- DI plans to further gain product/price competitiveness with efforts such as new model launches.

Outlook for China's excavator market



* Source: CCMA

Market share of Big 6 players



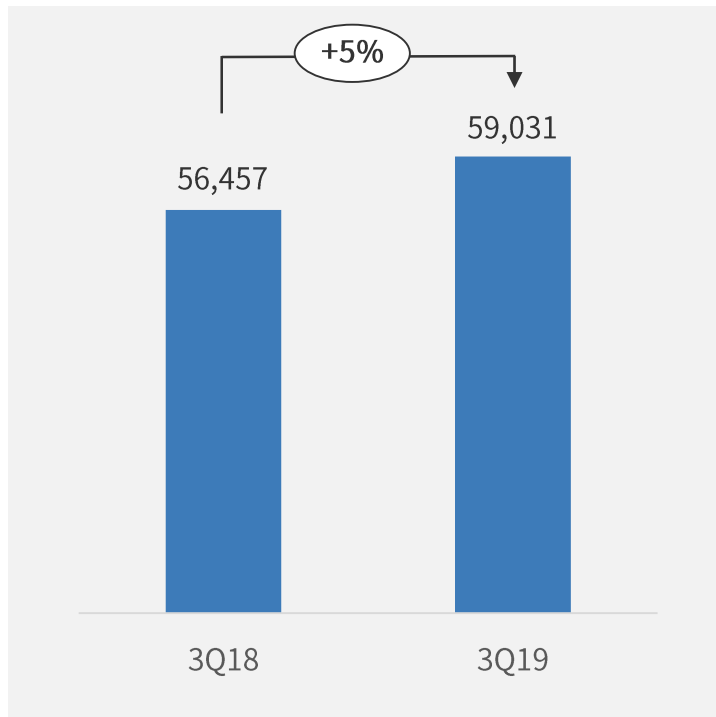
* Source: CCMA

Heavy (EU/NA) – Demand growth + Enhanced competitiveness

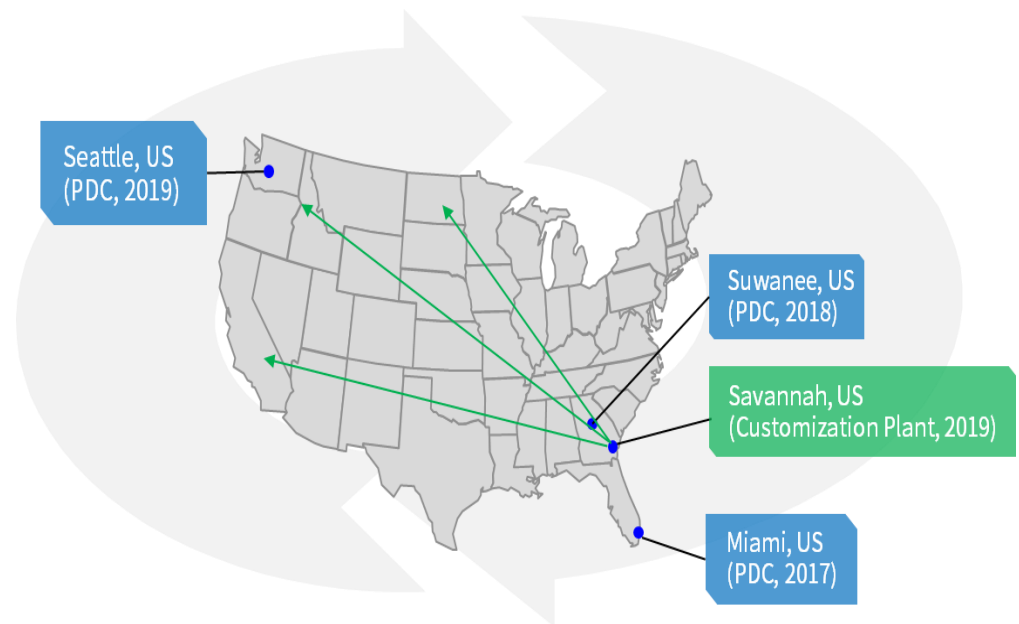
- Market in North America and Europe continued to grow on the back of construction demand for non-housing and infrastructure.
- We recorded historic high sales volume YTD in Europe thanks to sizable fleet orders and stabilized operation at new dealers.
- We are enhancing our competitiveness in North America with the establishment of Customization Center and Part Distribution Center, which reduced lead time from 16 weeks to 4~6 weeks.

Market in EU/NA

(Unit : units, YoY)



Enhanced competitiveness in US

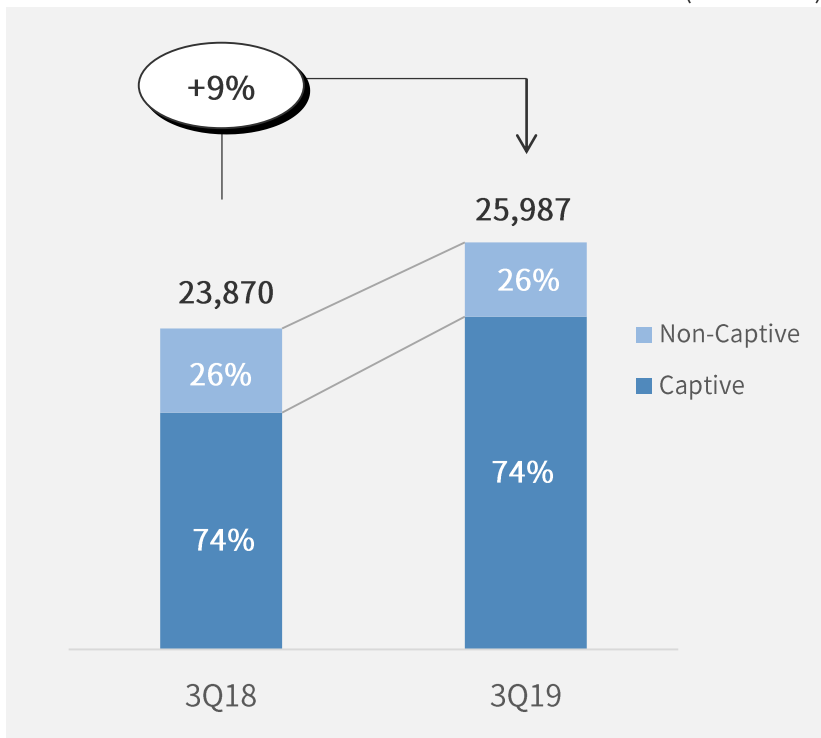


Engine – Future growth engine secured on top of stable sales growth

- Sales remains steady thanks to Bobcat and generator engine sales to US shale gas production.
- Recent efforts to secure mid- to long-term growth include renewal of our contract for profitable generator engine sales, entering Indonesia for engine market and developing new technology to secure future competitiveness.

Sales volume by segment

(Unit : unit)



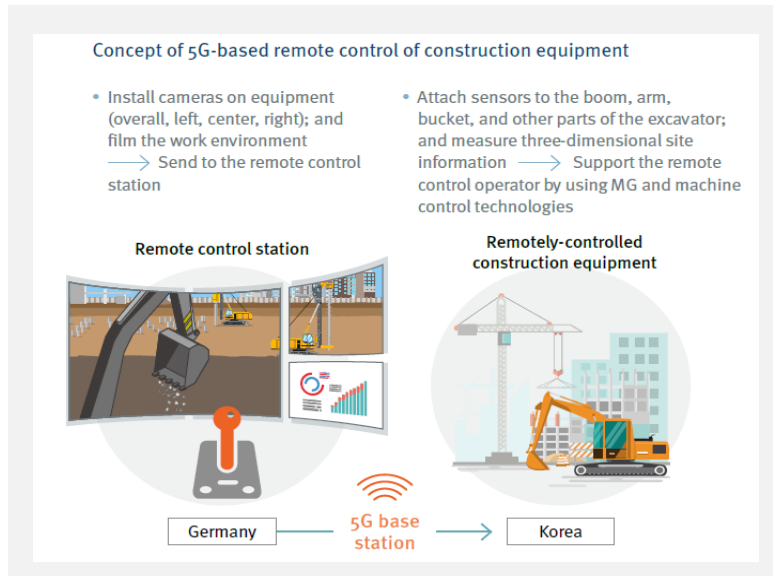
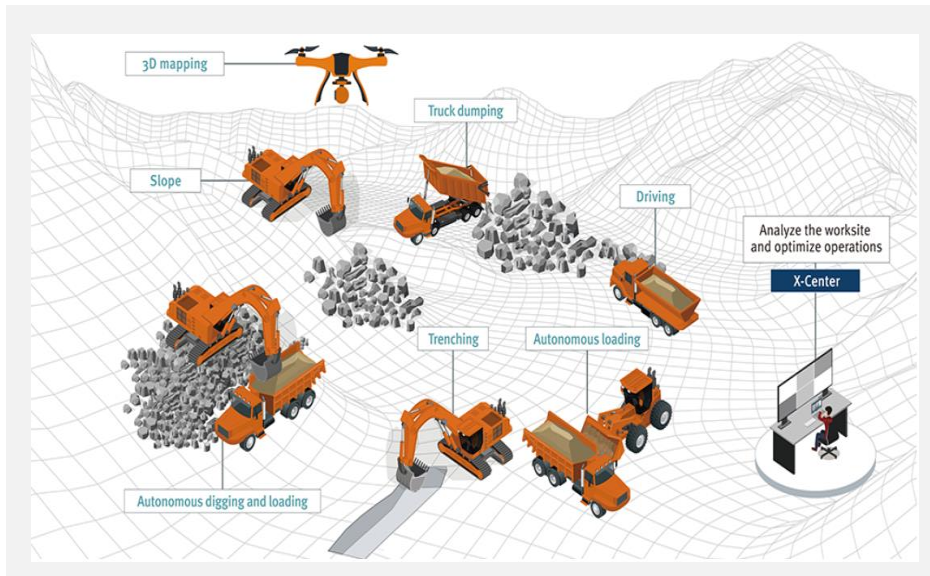
Mid-term Growth Strategy

- **Efforts to secure external customers**
 - : Contact renewed with PSI for highly profitable generator engine until 2023
 - : Supply started for KION(Linde, STILL, Baoli) and Korean agricultural equipment maker
 - : Joint venture with No. 1 agricultural equipment maker LOVOL in China and expected to start manufacturing in 2020
- **Expanding into new markets**
 - : Signed contract with state-owned engine company BBI(PT Boma Bisma Indra) of Indonesia and secured cornerstone for emerging markets
- **Development of future technology**
 - : Developed and manufactured our first hybrid powertrain prototype

[Innovation] Concept-X

- ICT and AI-related technologies are rapidly emerging as key future technologies. Against this backdrop, unmanned/automation technologies in the automobile industry are quickly spreading to the construction equipment business, resulting in creation of new products and services.
- Doosan Infracore launched the Concept-X project centering on testing the feasibility of new technologies with the goal of satisfying customer needs and creating new business opportunities.
- Once completed, Concept-X will contribute to improving productivity at construction sites, reducing safety risks, and alleviating labor shortages in the aging era by testing technologies that are optimized to future construction sites, such as unmanned and autonomous equipment, construction site measurement using drones, and 5G-based remote control.

Doosan Concept-X



[Innovation] DoosanCONNECT™ Service

- DoosanCONNECT™ enables user to monitor operational status of major parts, including engines and hydraulic systems, of all Doosan Infracore's construction machinery equipped with telematics devices through the DoosanCONNECT™ website or the mobile application. Strengths include enhanced worksite management efficiency, better work productivity and prevention of safety accidents.

Strengths of DoosanCONNECT



Efficiency

- Increase worksite management efficiency
- Increase equipment management efficiency
- Increase work efficiency and curtail costs



Productivity

- Enhance work productivity
- Improve equipment management convenience
- Increase equipment life expectancy



Safety

- Prevent safety accidents
- Protect workers
- Prevent equipment defects

Benefits and Key Functions



Functions

LOCATION

- GPS
- Geo-fence



REPORTS

- Periodic operation report
- Utilization



OPERATION TREND

- Total operation hour
- Operation hour by mode



FUEL EFFICIENCY*

- Fuel level
- Fuel consumption



FILTER & OIL MANAGEMENT

- Preventive maintenance by item replacement cycle



Warning & Alert

- Detect machine warnings
- Antenna disconnection
- Geo/Time fence





[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
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	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				159,621
	DI	701	1,603	3,439	1,802	1,088	1,074	539	629	969				11,844
	M/S	6.9%	9.3%	8.2%	6.8%	6.5%	8.7%	5.3%	5.5%	7.4%				7.4%

• Construction Equipment : Regional sales breakdown

(Unit : KRW bn)

Region	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19	3Q19	YoY
China	425.1	429.1	207.1	253.7	1,315.1	467.1	334.5	199.2	-3.8%
Emerging/Korea	357.2	302.0	278.1	242.7	1,180.0	327.4	297.5	232.4	-16.4%
NA/EU	180.2	219.5	193.6	166.5	759.8	206.2	237.2	169.8	-12.3%
Bobcat	866.0	1,033.0	1,030.4	1,013.4	3,942.8	1,055.4	1,182.0	1,107.3	+7.5%
Total	1,828.6	1,983.6	1,709.2	1,676.4	7,197.8	2,056.2	2,051.3	1,708.7	+0.0%

Doosan Bobcat – 3Q19 results

- Sales grew 9% YoY in 3Q19 thanks to steady growth in Europe and emerging markets.
- Despite improved profitability in Europe, EBIT declined due to increase in raw material prices and cost associated to new model launches.
- Net profit decreased in line with decline in EBIT.

Income Statement

(unit : KRW bn)

	3Q18	3Q19	YoY	3Q18 YTD	3Q19 YTD	YoY
Sales	1,035.3	1,128.0	+9.0%	2,944.1	3,381.0	+14.8%
EBIT	122.9	110.4	-10.2%	356.1	380.8	+6.9%
EBIT Margin	11.9%	9.7%	-2.1%p	12.1%	11.3%	-0.8%p
Net Financial Cost	7.7	8.9	+16.0%	34.8	31.4	-9.9%
Pretax Profit	112.3	94.1	-16.2%	313.0	329.4	+5.2%
Net Profit	75.3	66.8	-11.3%	214.3	230.5	+7.6%
NP Margin	7.3%	5.9%	-1.4%p	7.30%	6.80%	-0.5%p

* F/X rate for income statement (KRW/USD)
3Q18: KRW 1,090.88/USD, 3Q19: KRW 1,162.18/USD