



Doosan Infracore

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2017 4Q Earnings Release

February 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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2017 Results

4Q17

- Sales increased 20% year-on-year on the back of continued favorable trends in China /emerging markets and growth at Bobcat.
- EBIT improved 53% year-on-year due to sales growth and improved sales mix.
- Net profit increased considerably thanks to impact from U.S. tax reform via Bobcat.

2017

- Sales grew 15% year-on-year on favorable market demand and stronger sales channel.
- EBIT margin improved to 10.1% due to greater sales contribution from profitable Chinese market, enhanced profitability at Engine and solid margins from Bobcat.

Income Statement

(Unit : KRW billion)

	4Q16	4Q17	YoY	2016	2017	YoY
Sales	1,375.5	1,648.4	+19.8%	5,729.6	6,567.9	+14.6%
EBIT	100.3	153.8	+53.3%	490.8	660.8	+34.6%
EBIT margin (%)	7.3%	9.3%	+2.0%p	8.6%	10.1%	+1.5%p
(Net Financial Cost)	50.7	51.0	+0.5%	218.5	188.6	-13.7%
(F/X gains/losses)	-50.2	-1.2	-	-19.5	59.9	-
Net Profit	-227.2*	61.5	-	116.0	296.6	+155.7%

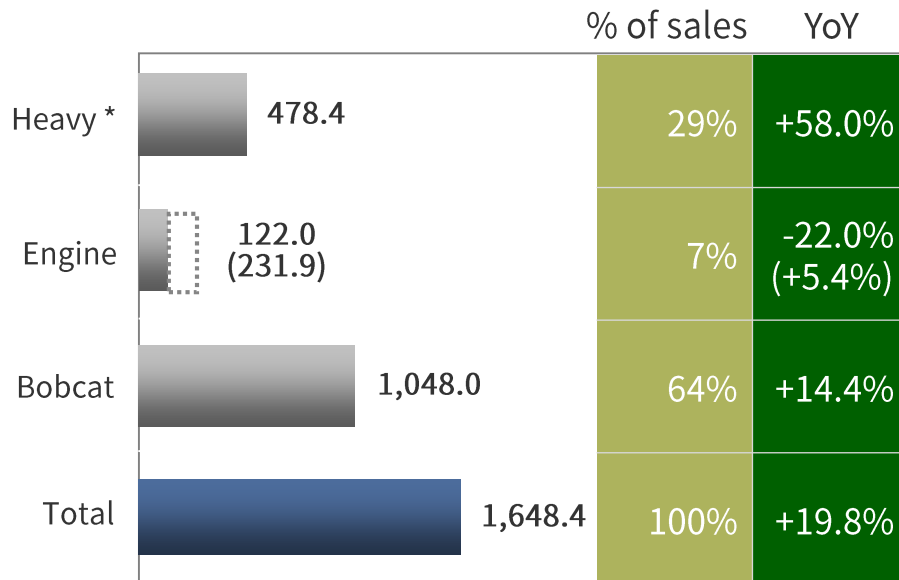
* Includes one-time expenses of approx. KRW150bn such as Bobcat IPO expense and DBI EU restructuring cost

4Q17 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 internal customers due to favorable sales in heavy division. Product mix improvement enhanced profitability.
- Bobcat : Revenue increased 14% year-on-year due to favorable operating environment in developed markets and normalization of Compact production in North America. EBIT increased +17% year-on-year thanks to strong sales growth.

Sales

(Unit : KRW billion)

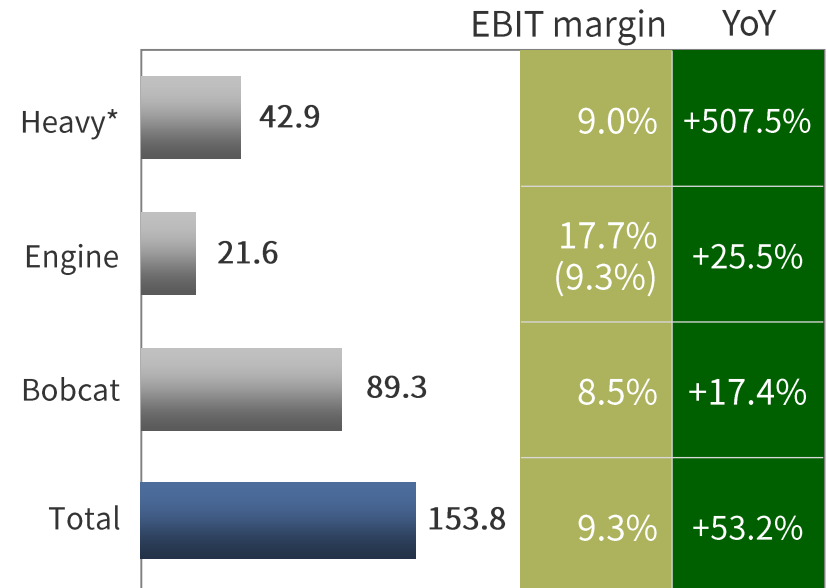


* Includes APEM and China

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

EBIT & Margin

(Unit : KRW billion)

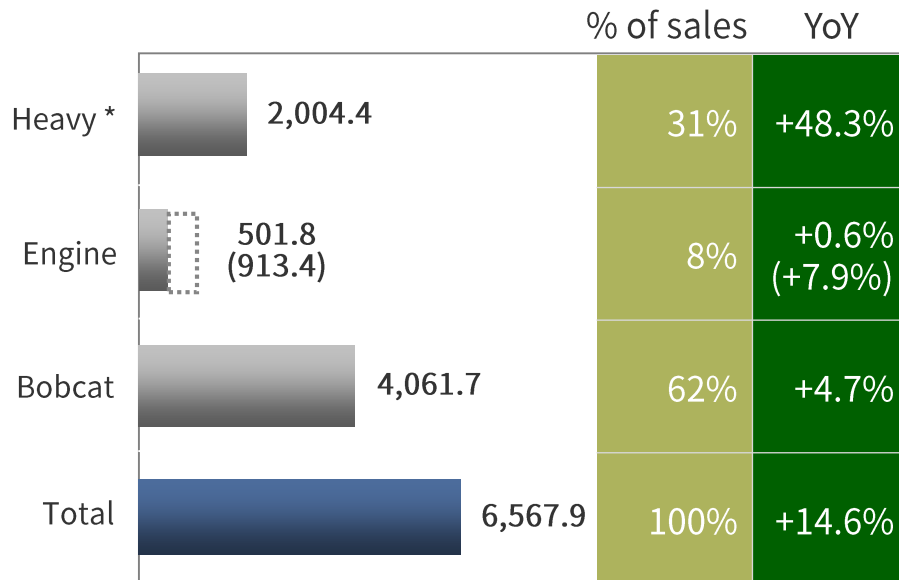


2017 Sales & EBIT by division

- Heavy : Revenue and EBIT surged due to strong performance in China/APEM.
- Engine : Revenue growth of +8% year-on-year was led by internal sales in 2017. EBIT growth was even stronger thanks to volume growth and product mix improvement.
- Bobcat : Revenue increased 5% year-on-year in line with favorable end market demand in developed markets and normalization of Compact production in 2H17.
Despite heightened competition and promotion expenses in North America, Bobcat maintained double-digit profitability thanks to continued product mix improvement.

Sales

(Unit: KRW billion)

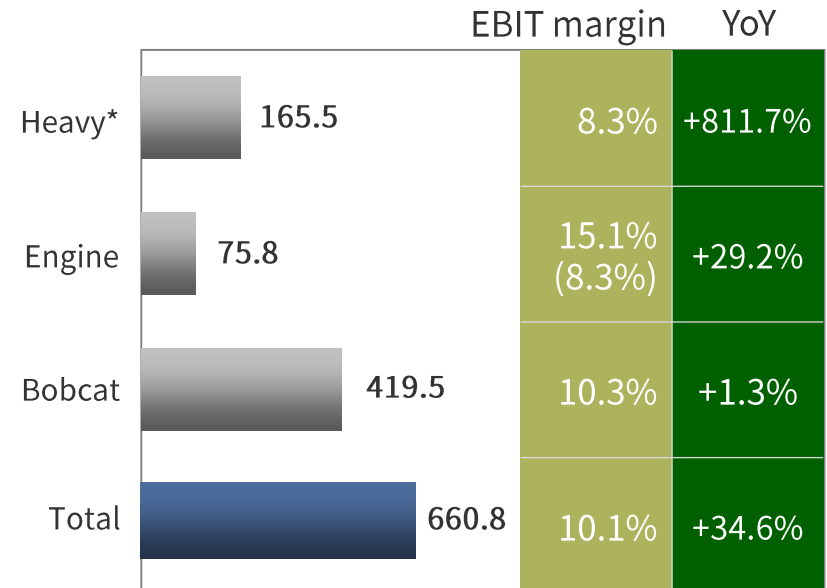


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EBIT & Margin

(Unit: KRW billion)

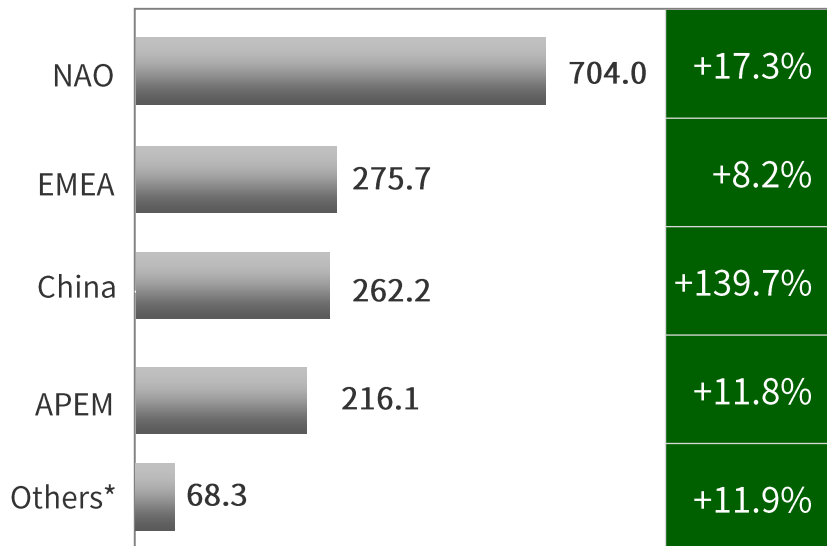


Regional breakdown (Construction equipment, 4Q) – Accelerated growth in 4Q

- NAO : Strongest quarter during 2017 thanks to 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 140% year-on-year thanks to continued infrastructure investment + accelerated replacement demand + enhanced competitiveness.
- APEM : Revenue increased 12% year-on-year with sales growths in all key regions.

CE regional breakdown (4Q17)

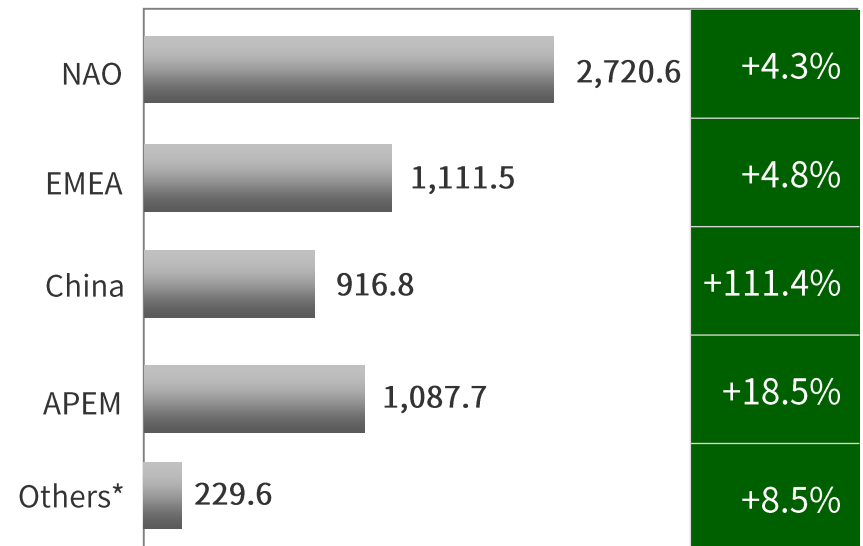
(Unit : KRW billion)



* Others include HQ and compact sales in Asia/LA

CE regional breakdown (2017)

(Unit : KRW billion)



* Others include HQ and compact sales in Asia/LA

Financial structure

- Total shareholders' equity decreased and total debt increased as a result of early redemption of the perpetual bond worth KRW567.2bn.
- Nonetheless, net debt decreased by KRW145.4bn due to increased profit from improved operating results, sale of Bobcat shares and decrease in foreign debt in line with Won's appreciation.

Balance Sheet

(Unit : KRW billion)

	2015	2016	2017	Chg. (YoY)
Current Assets	3,876.0	3,049.6	3,767.4	+717.8
Fixed Assets	7,507.2	6,977.2	6,508.7	-468.5
Total Assets	11,383.2	10,026.8	10,276.1	+249.3
Total Liabilities	8,280.2	6,578.4	7,102.9	+524.5
- Net Debt	5,055.1	3,764.0	3,618.6	-145.4
Total Shareholders' Equity	3,103.0	3,448.4	3,173.2	-275.2
Liabilities/Equity Ratio	266.8%	190.8%	223.8%	+33.0%p

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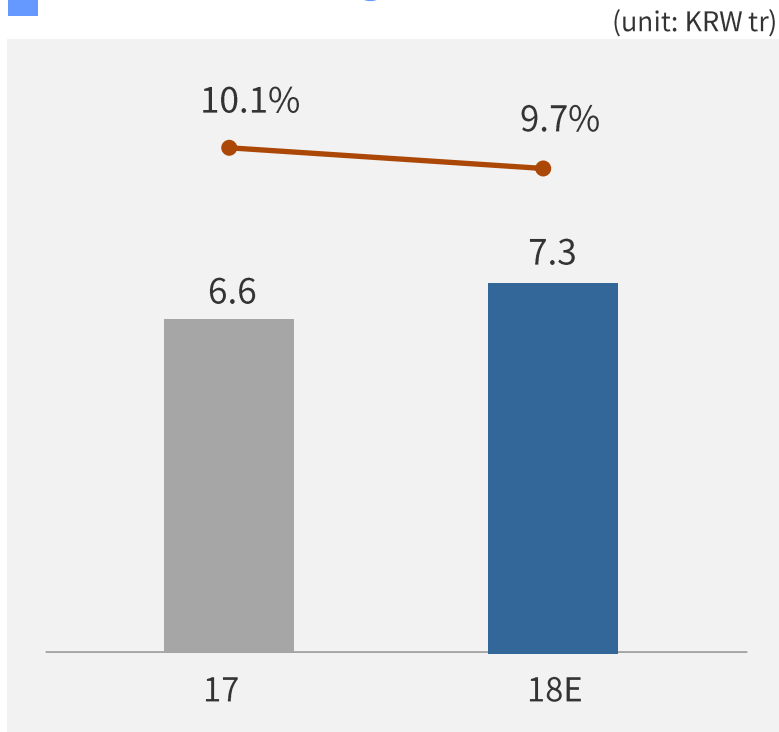
1 2017 Results

2 2018 Outlook

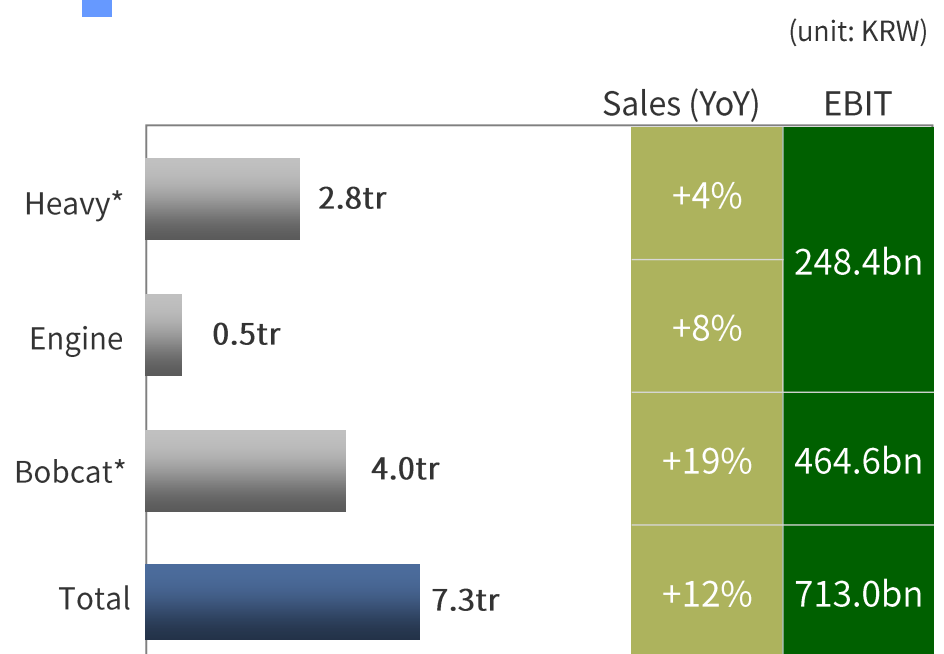
2018 Outlook

- Revenue is forecasted to grow by +12% year-on-year to KRW7.3 trillion, reflecting stable growths in key regions.
- EBIT is projected to reach KRW713 billion (or +8% year-on-year) thanks to favorable end markets and improvement in product mix, offsetting the impact of rising raw material price.

Sales & EBIT Margin



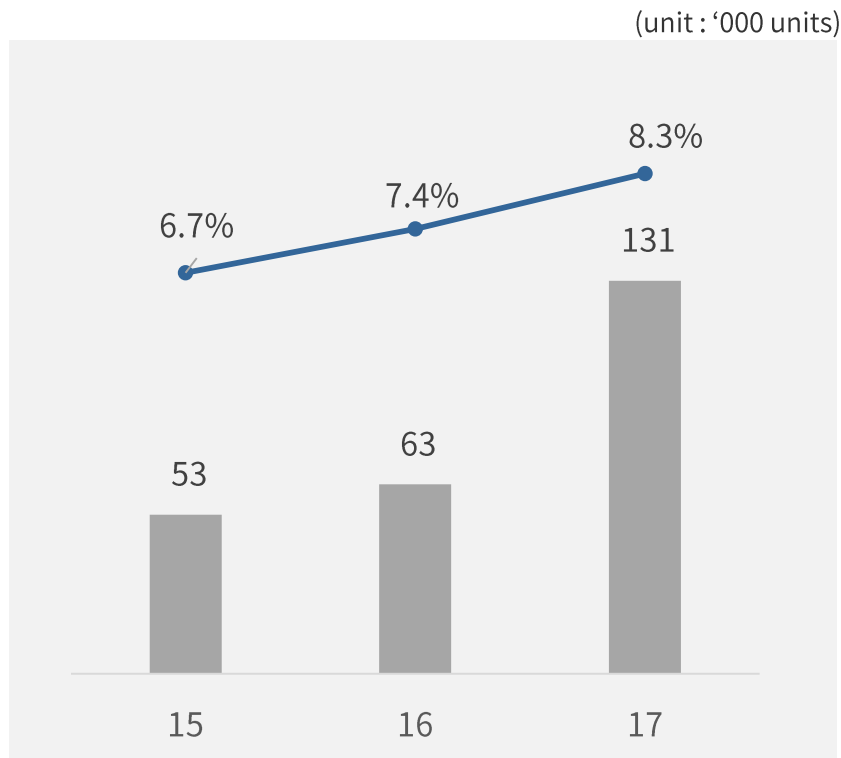
Sales & EBIT Outlook



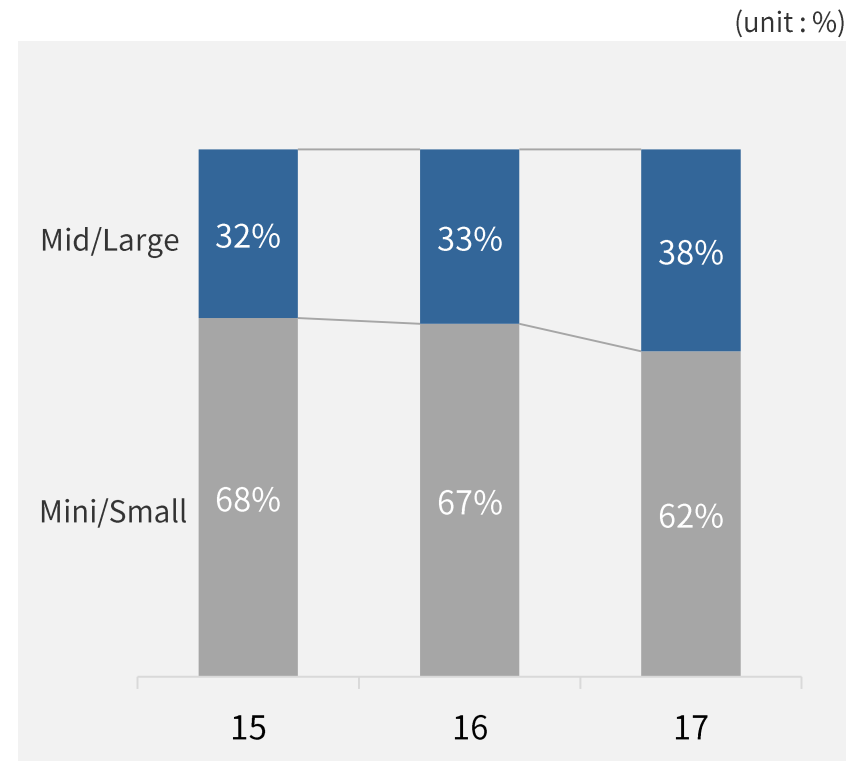
Heavy (China) – Trends in 2017

- Excavator market in China grew substantially in 2017 buoyed by both infrastructure and replacement demand. In the midst of such favorable market conditions, DI has outperformed the market on the back of competitive new products and stronger sales channel thanks to our financially sound dealer network.
- Furthermore, product mix within the market shifted towards more mid- and large-sized equipment as demand for infrastructure and mining increased.

Market Size & DI's Market Share



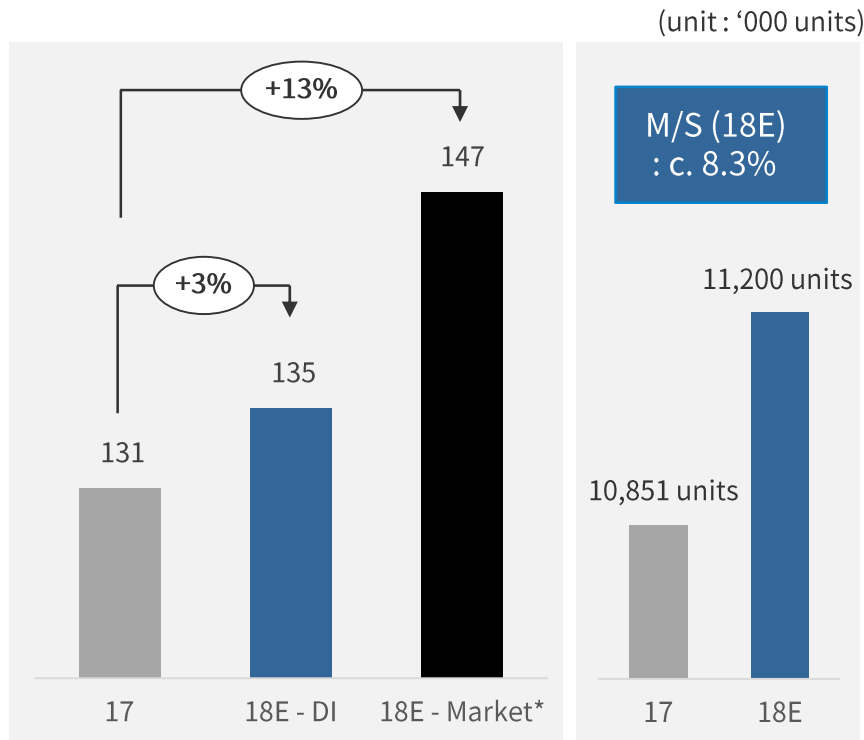
Product Mix Change of Market in China



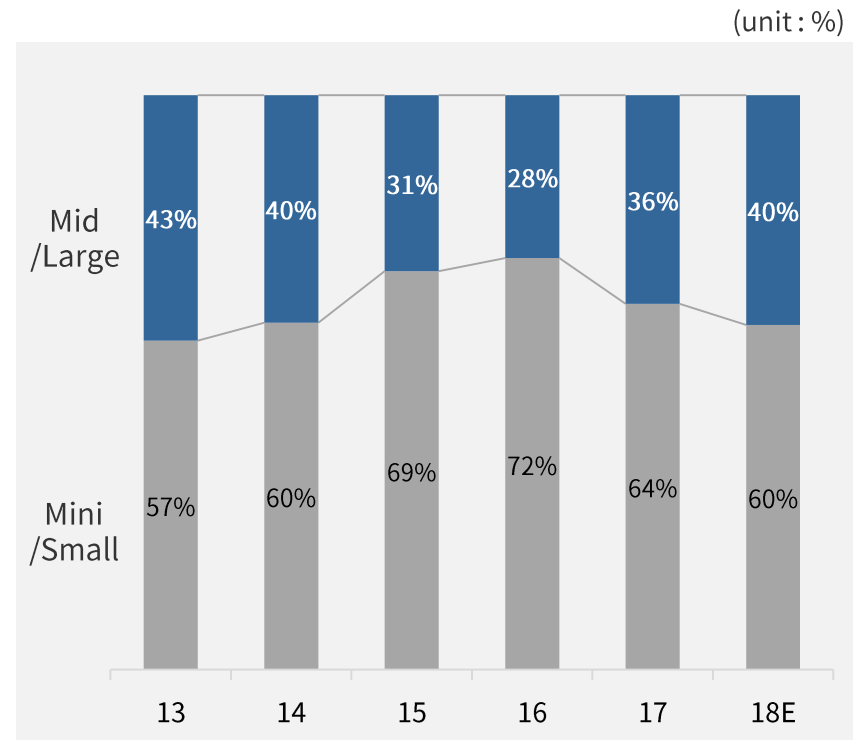
Heavy (China) – Outlook in 2018

- End market demand should be supported by SOC investment, mining and on-going replacement demand. We conservatively project excavator market to grow by +3% year-on-year to 135,000 units.
- Market share should remain flat at 8.3%. We will enhance our competitiveness in product and channel, however, we will work to maintain the financial soundness of our dealers and receivables.
- Product mix should continue to improve as demand for infrastructure and mining should trigger greater sales contribution of mid- and large-sized excavators.

Market Outlook & DI's Sales Forecast



DI's Product Mix Trend & Outlook



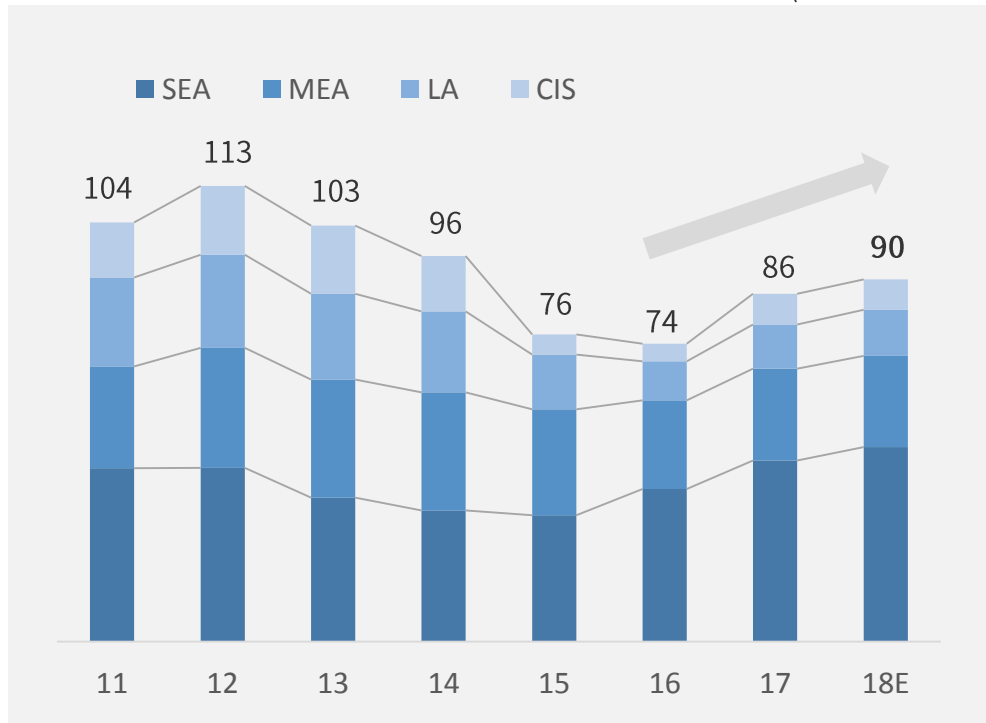
* 18E – Market outlook is the average of 6 forecasts provided by market participants/specialists

Heavy (APEM)

- APEM demand in 2018 should see stable growth of +5% year-on-year due to continued global infrastructure investment and increase in raw material prices.
- DI has worked diligently to achieve full coverage of emerging markets and enhanced its competitiveness by launching new mid- to large-sized equipment. DI's sales volume is projected to grow +11% year-on-year during 2018, outpacing market growth.
- Our priority is profitability amidst raw material price hike and growing demand for larger equipment.

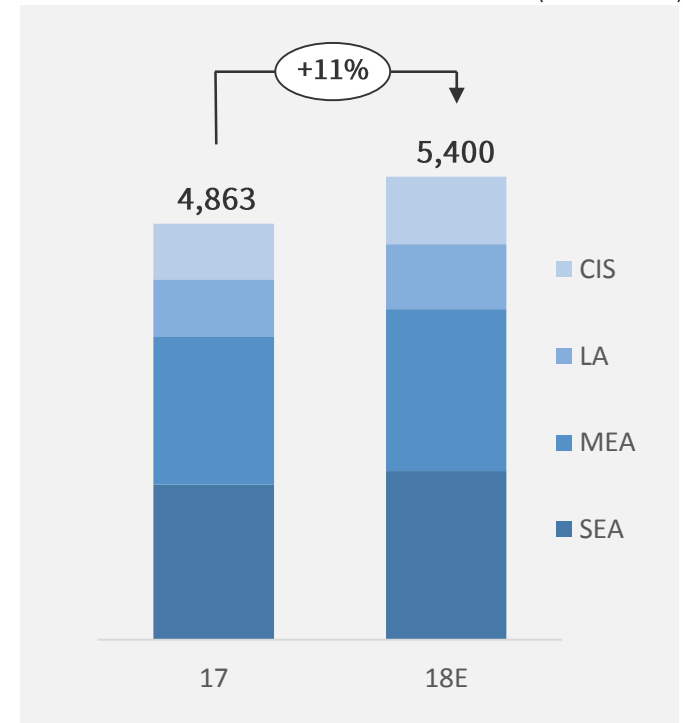
Market Outlook – Emerging Markets

(unit : '000 units)



DI's Sales Forecast

(unit : units)



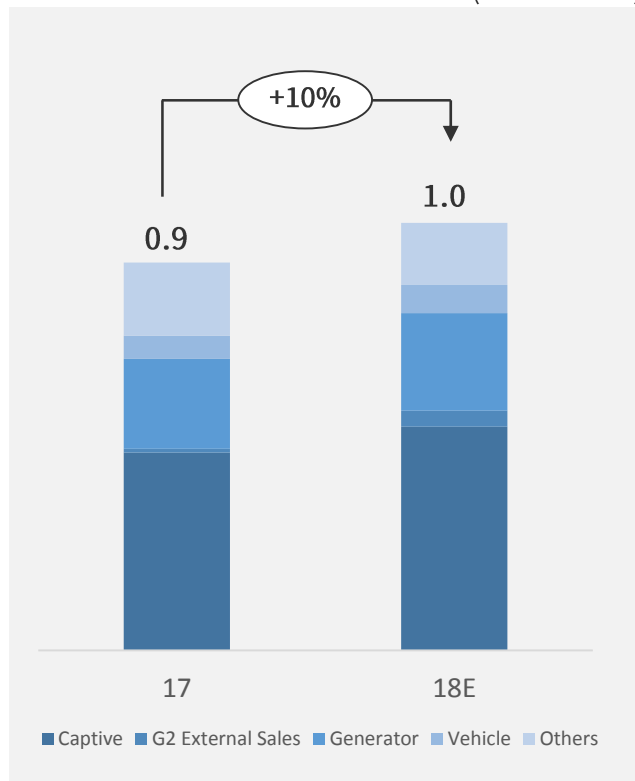
* Source: Company data, Excluding Korea

Engine – 2018 Outlook

- Revenue is forecasted to grow by +10% year-on-year in 2018 due to improved end market conditions in line with oil price hike and increase in global infrastructure spending.
- Efforts during this year is focused on securing mid- to long-term growth engines.
 - Expand sales network and searching for new opportunities for internal/external sales
 - Seek new business opportunities with upcoming change in emission standard to Stage5 from 2019

Sales Outlook in 2018*

(unit : KRW tr)



Mid-term Growth Strategy

Strengthen Existing biz

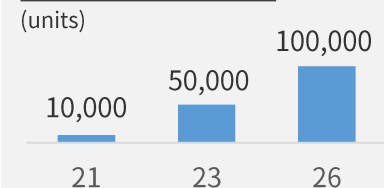
- **Internal sales** : Demand growth along with Heavy/ Bobcat's solid performance
- **Generator** : Demand supported by oil price hike and infrastructure investment, Develop sales channel in previously untapped markets
- **Vehicle** : Seek opportunities to grow business in Vietnam, Expand into new markets

Seek new biz

- **Accelerated growth in G2 external sales**
: Production start for KION, Continued supply to Linde and Korean agricultural equipment maker in 2019
Develop additional Big OEM supply contracts (e.g. US agricultural equipment maker, global forklift truck maker)

- **LOVOL-DOOSAN JV**
: Joint venture with the No. 1 agricultural equipment maker LOVOL in China
Initial volume of 50,000 units, Plans to expand application and seek new biz opportunities

JV Volume Forecast

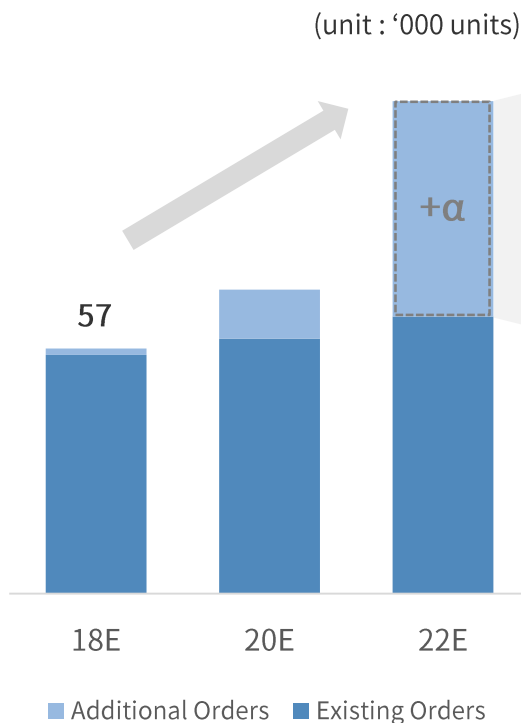


* Figures based on total sales, which includes internal sales

Engine – Growth Outlook of G2 Engine

- We plan to step up our sales efforts to secure additional orders in advance of the change in emission standard to Stage5 in 2019.
- With additional orders, we expect to grow continuously in the mid- to long run. With better economies of scale, profitability should further improve.

G2 Engine Sales Outlook



Additional Orders

- **Additional orders from Big OEM** : Talks of Stage5 engine supply with US agricultural equipment maker, global forklift truck and second tier construction equipment makers underway
Expecting to add more customers such as KION during 2018
- **Mid-sized Distributor** : Target mid- to small-sized customers utilizing our US and European distributors
- **Develop potential customers** : Step up marketing efforts to persuade new customers based on favorable feedbacks from market leading players already using G2 engines

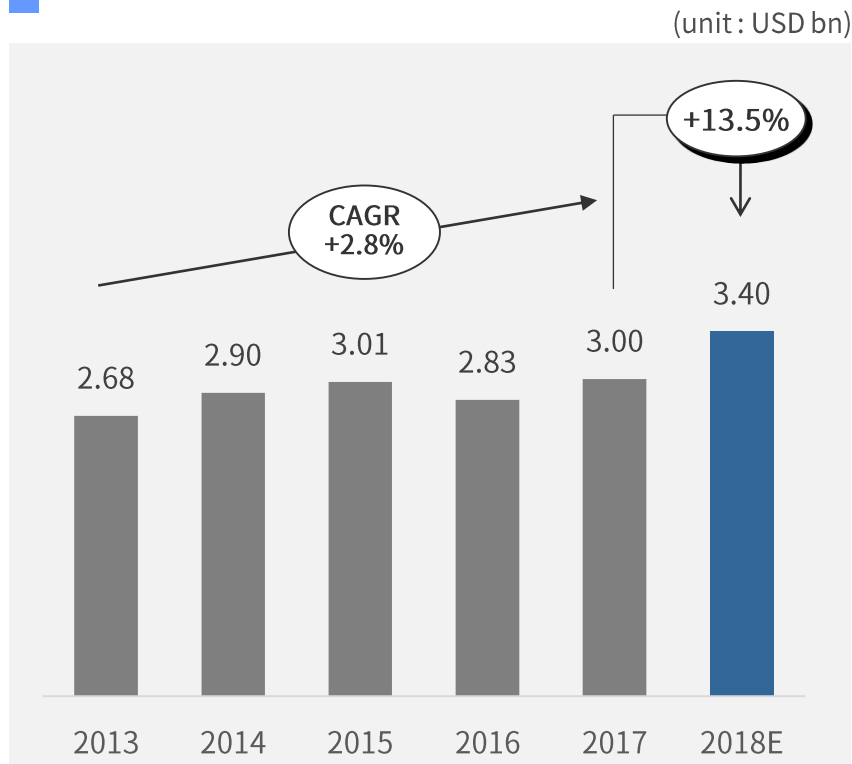
Existing Orders

- Demand growth along with Heavy/ Bobcat's solid performance
- Continue to supply to existing OEM such as KION, Linde and Korean agricultural equipment makers

Doosan Bobcat

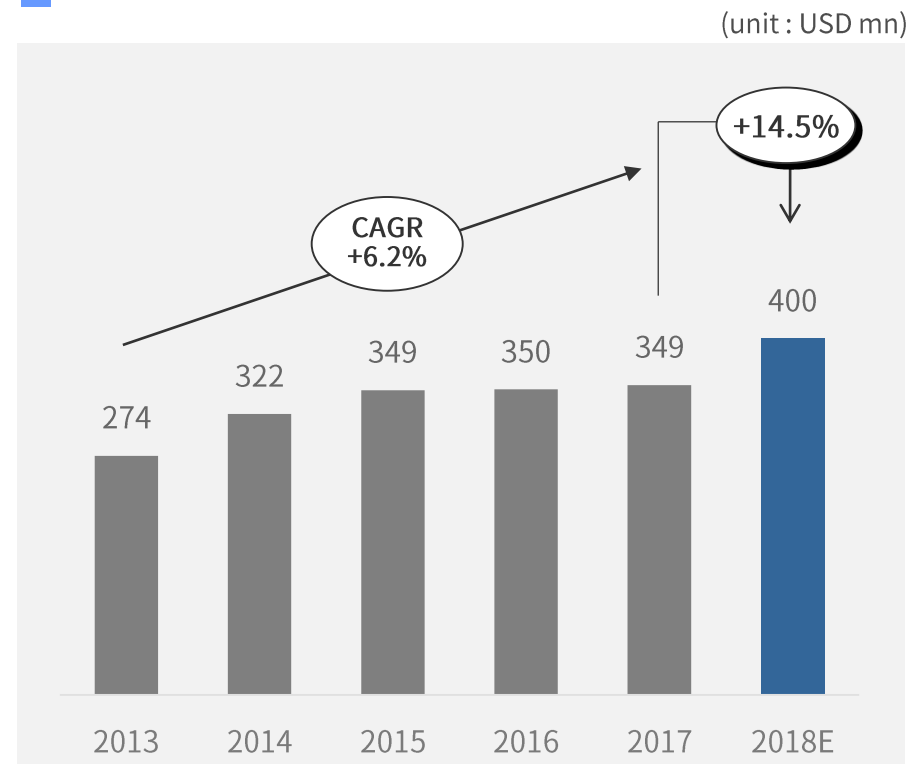
- Revenue should grow by +14% year-on-year to \$3.4bn thanks to strong market demand, dealer restocking in North America and differentiated promotional activities.
- EBIT is projected to increase +15% year-on-year to \$400mn in tandem with revenue growth.

Sales Forecast



* Excluding Heavy Distribution Biz
** Source: Company data

EBIT Forecast

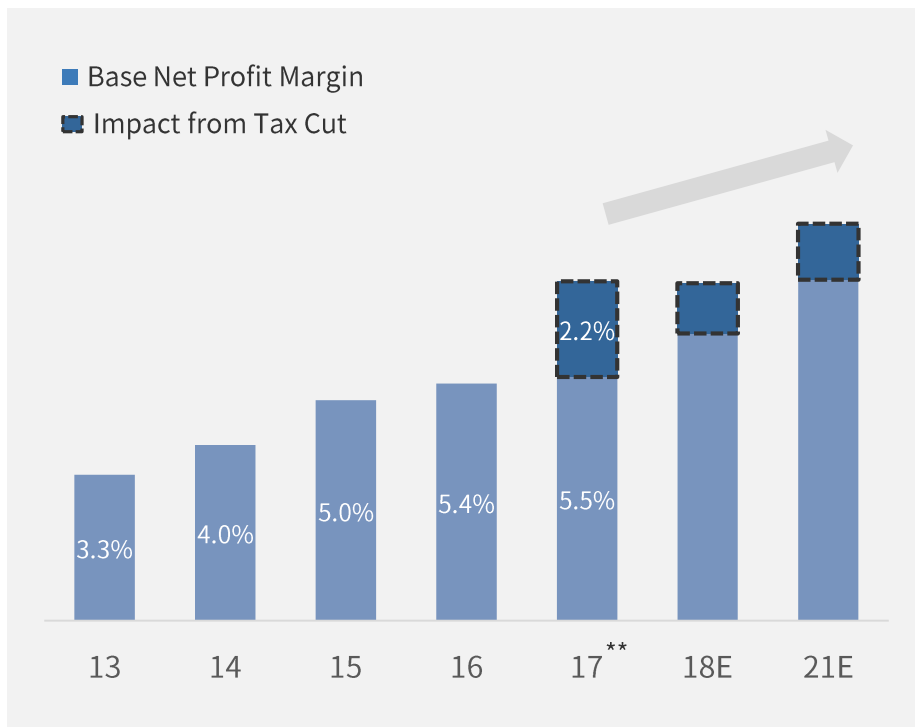


* Excluding Heavy Distribution Biz
** Source: Company data

Doosan Bobcat

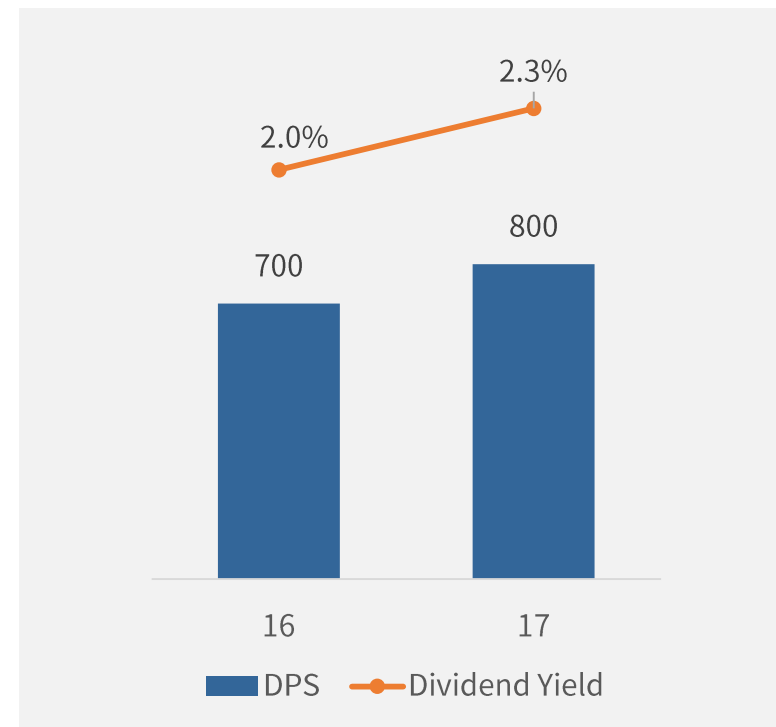
- Bobcat is expected to report steady sales growth and high profitability during 2018, and net profit should near high single-digit as a result of the U.S. tax reform.
- Bobcat plans to pay out KRW800 per share in view of continuous net profit growth. It also plans to maintain its shareholder-friendly dividend policy, going forward.

Net Margin* Trend & Outlook



Dividend Per Share & Dividend Yield

(unit : KRW)



* Source : Company data, Net Profit Margin excluding Heavy Distribution Biz

** Net profit margin including gains from deferred tax liabilities



[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
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	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%

• Construction Equipment : Regional sales breakdown

(Unit : KRW billion)

Region	2015	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17	3Q17	4Q17	2017
NAO	2,807.3	662.1	756.8	588.1	600.4	2,607.4	632.6	699.1	684.9	704.0	2,720.6
EMEA	1,029.4	254.9	306.7	243.7	254.9	1,060.2	246.1	316.0	273.7	275.7	1,111.5
China	339.0	136.2	115.8	72.3	109.4	433.6	220.4	258.4	175.7	262.2	916.8
APEM	1,021.2	233.6	261.1	230.1	193.3	918.1	310.7	302.6	258.3	216.1	1,087.7
Others *	189.8	52.0	50.9	47.6	61.1	211.6	48.7	59.3	53.2	68.3	229.6
Total	5,386.7	1,338.7	1,491.3	1,181.7	1,219.1	5,230.9	1,458.5	1,635.4	1,445.9	1,526.4	6,066.1

* Includes HQ & compact sales in Asia/LA