



Doosan Infracore

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2018 4Q Earnings Release

February 2019



Disclaimer

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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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2018 Results

4Q18

- Sales increased +8% YoY on the back of continued favorable trends in emerging and developed markets for Heavy business and growth at Bobcat.
- EBIT decreased -8% YoY due to deterioration in sales mix and increase in costs.
- Net profit decreased due to one-time tax benefit of US\$64M booked in 4Q17, however, if removed, net profit grew year-on-year.

2018

- Sales grew +18% YoY thanks to steady demand in all businesses.
- EBIT reached historic high levels thanks to internal efforts to enhance profitability and improved product mix.

Income Statement

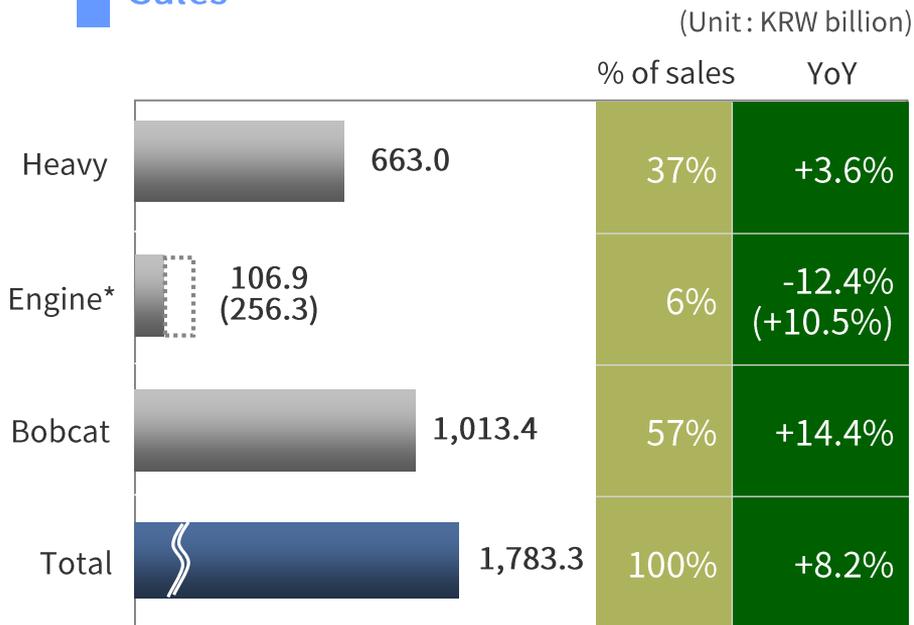
(Unit : KRW billion)

	4Q17	4Q18	YoY	2017	2018	YoY
Sales	1,648.4	1,783.3	+8.2%	6,567.9	7,730.1	+17.7%
EBIT	153.8	142.0	-7.7%	660.8	848.1	+28.4%
EBIT margin (%)	9.3%	8.0%	-1.3%p	10.1%	11.0%	+0.9%p
Net Financial Cost	50.9	41.0	-19.4%	188.6	181.4	-3.8%
F/X gains/losses	-1.1	2.3	-	59.9	-9.9	-
Net Profit	61.5	21.1	-65.7%	296.6	394.2	+32.9%

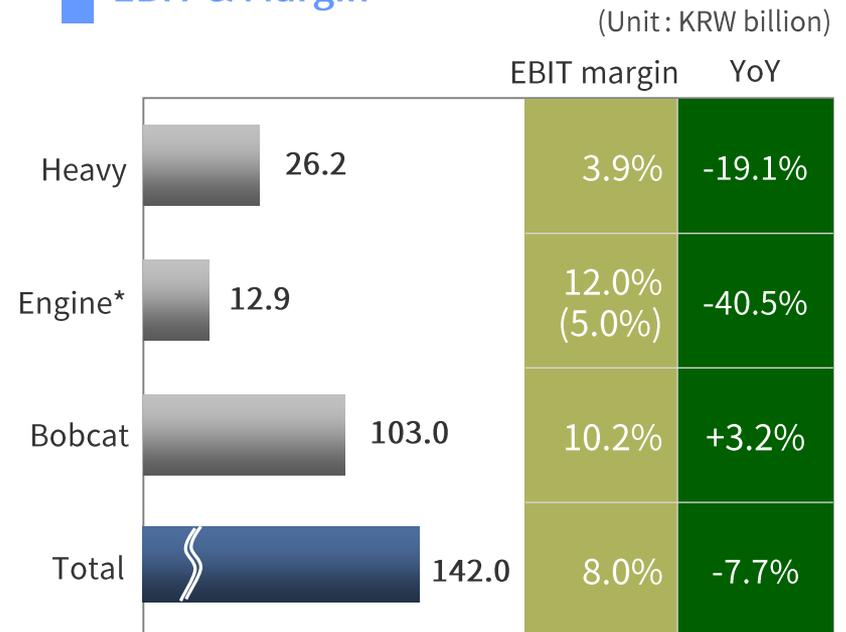
4Q18 Sales & EBIT by division

- Heavy : Revenue increased mostly in emerging markets. EBIT declined due to increase in costs.
- Engine : Total engine revenue including internal sales grew YoY. However, EBIT decreased due to increase in costs and deterioration of product mix in generator engines.
- Bobcat : Revenue increased due to favorable demand in NAO and EMEA. EBIT margin also remained high at 10.2%.

Sales



EBIT & Margin

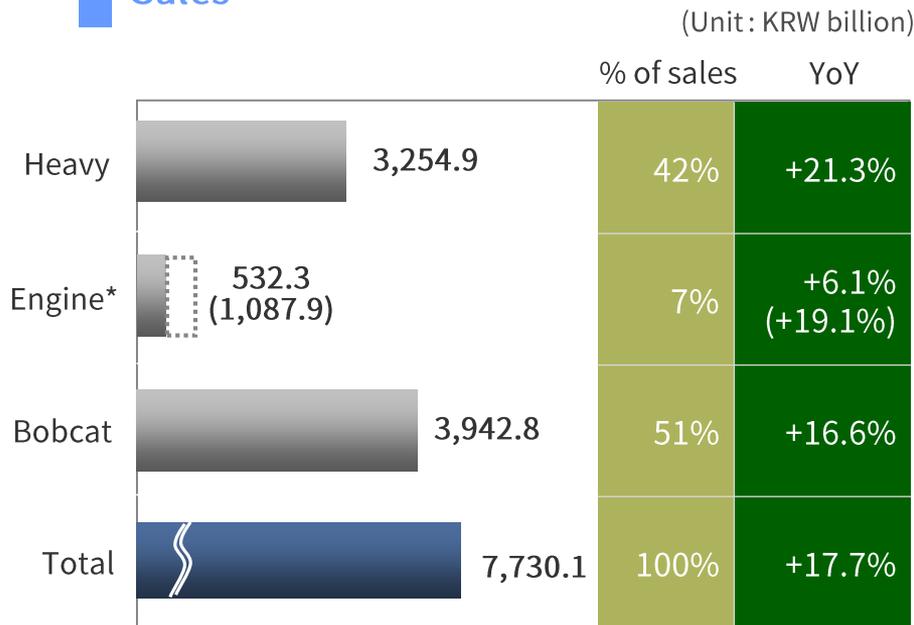


* Numbers in parenthesis are based on total sales of engine business, which includes internal sales
 Note : Sales breakdown based on 3rd party revenue

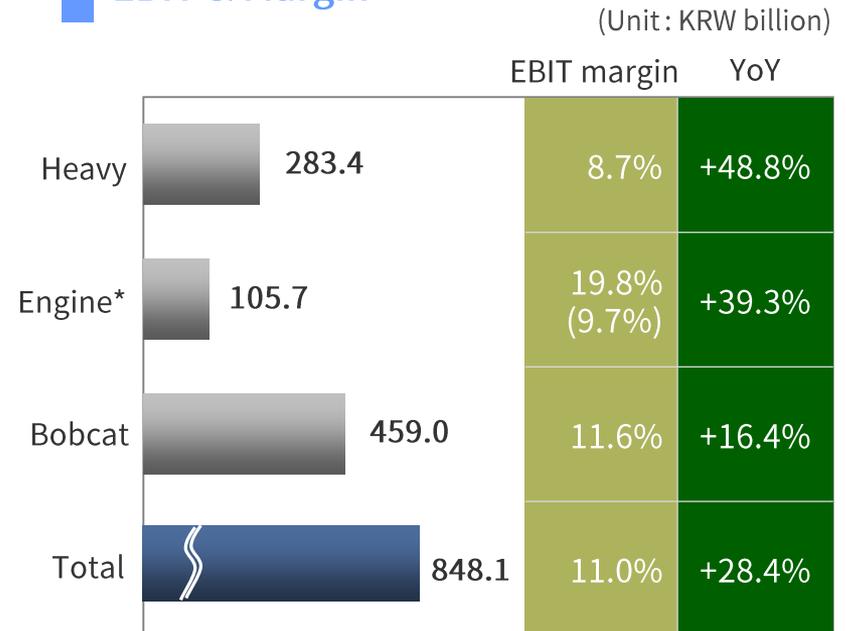
2018 Sales & EBIT by division

- Heavy : Revenue and EBIT surged due to strong performance in all regions except MEA and Korea.
- Engine : Revenue increased +19% YoY from volume growth of internal customers (Heavy biz and Bobcat) and generator engines. Volume growth and product mix improvement also enhanced our profitability.
- Bobcat : Revenue increased thanks to strong demand in NAO/EMEA and market share gains. EBIT margin also remained above 10% level.

Sales



EBIT & Margin



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

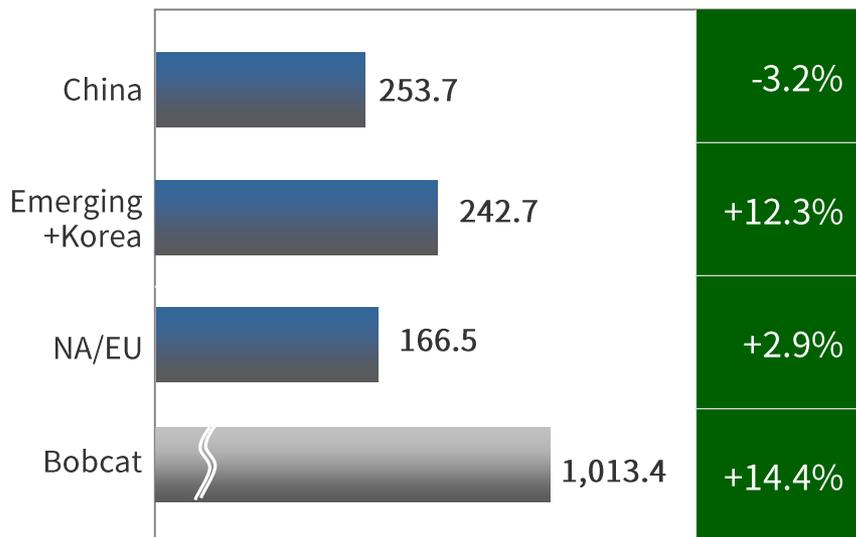
Regional breakdown (Construction equipment)

- China : Sales declined marginally in 4Q due to sales strategy focused on profitability and cash flow. However, sales surged by 43% YoY based on full-year comparison.
- Emerging + Korea : Despite slow MEA and Korea, all other major regions showed steady growth.
- NA/EU : Sales continued to grow thanks to demand growth and market share gains in North America.
- Bobcat : Sales grew thanks to steady demand + market share gains in US and enhanced competitiveness in Europe.

CE regional breakdown (4Q18)

(Unit : KRW billion)

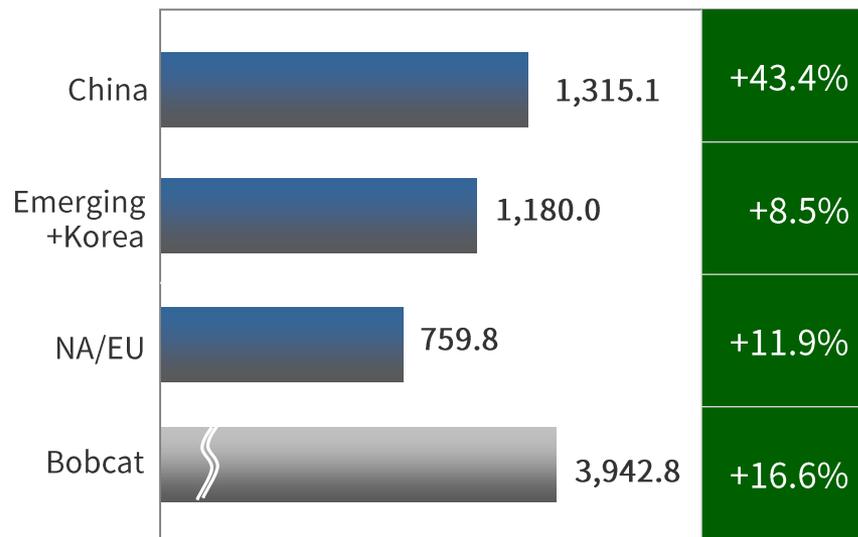
YoY



CE regional breakdown (2018)

(Unit : KRW billion)

YoY



Financial structure

- Net debt : Decreased by KRW619.7bn thanks to historic high earnings and resultant improvement in cash flow.
- Liability to equity ratio : Declined by -35%p due to increase in net profit and lowered net debt.

Balance Sheet

(Unit : KRW billion)

	2016	2017	2018	YoY
Current Assets	3,049.6	3,767.4	4,426.8	+659.4
Fixed Assets	6,977.2	6,508.7	6,602.3	+93.6
Total Assets	10,026.8	10,276.1	11,029.2	+753.1
Total liabilities	6,578.4	7,102.9	7,208.4	+105.5
- Net Debt	3,764.0	3,618.6	2,998.9	-619.7
Total shareholder's Equity	3,448.4	3,173.2	3,820.8	+647.6
Liabilities/Equity Ratio	190.8%	223.8%	188.7%	-35.1%p

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1 2018 Results

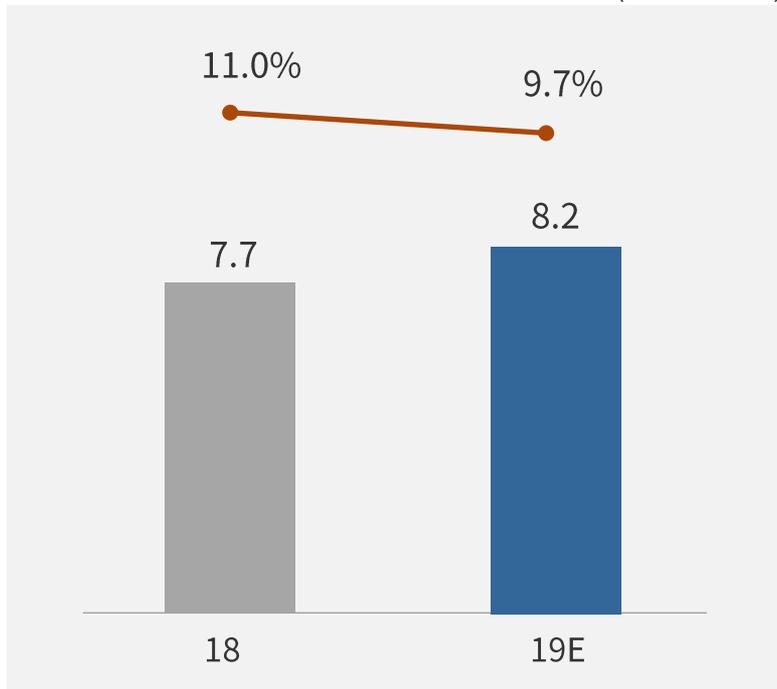
2 2019 Outlook

2019 Outlook

- Revenue is forecasted to grow by +6% YoY to KRW8.2 trillion, based on growth expectation in heavy division's developed markets, engine division and Doosan Bobcat.
- Despite sales growth and improvement in product mix, EBIT is projected to decline marginally by -6% YoY to KRW795.5 billion due to stronger risk management efforts and increases in both labor and raw material costs.

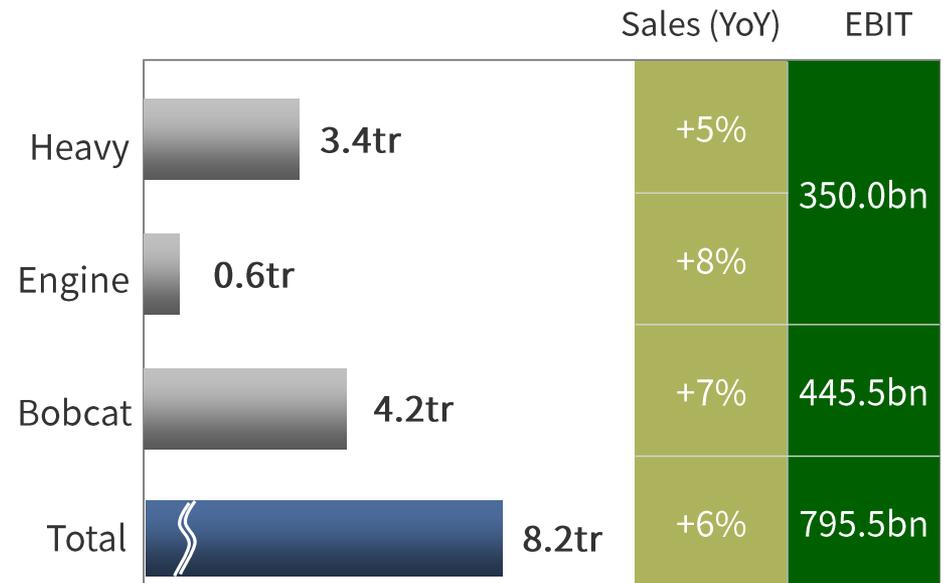
Sales & EBIT Margin

(unit: KRW tr)



Sales & EBIT Outlook

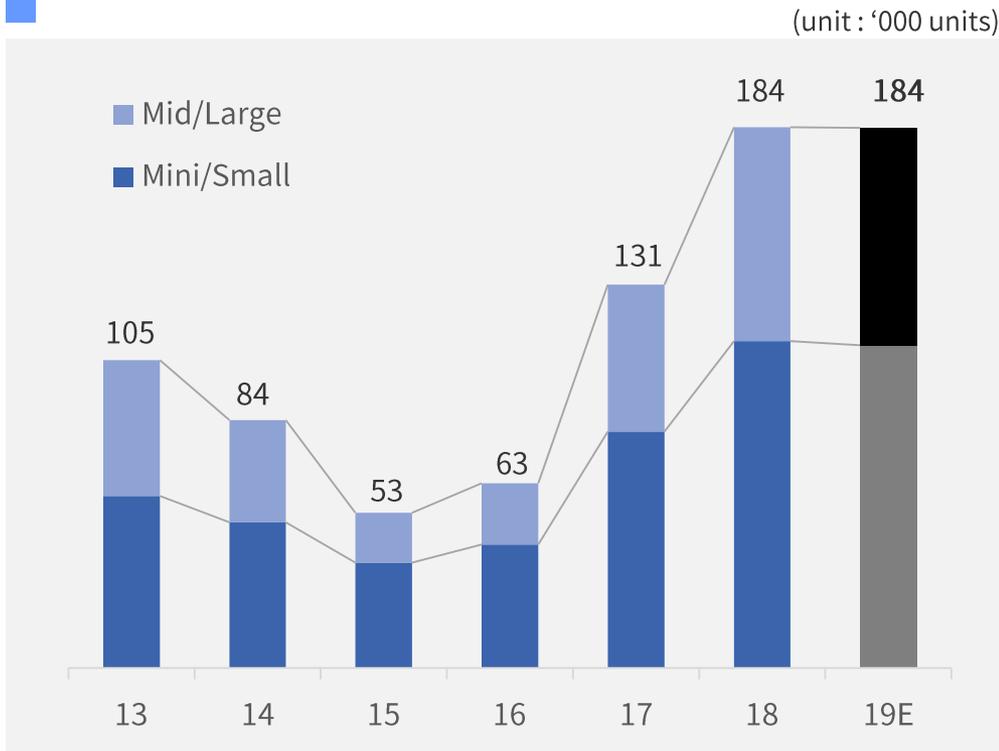
(unit: KRW)



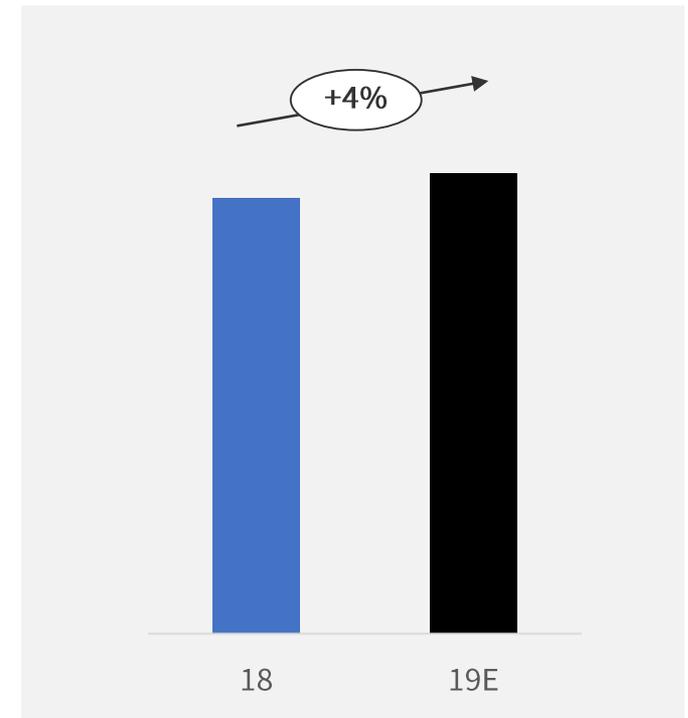
Heavy (China)

- Excavator market in China is expected to be similar in size compared to 2018, supported by infrastructure investment, continued replacement demand and stronger environmental regulation.
- Despite slower market growth, we expect sales to grow by +4% YoY on the back of product mix improvement (i.e. more sales of mid/large excavators) and enhanced channel competitiveness.
- We will continue to focus on profitability and financial soundness of receivables to manage risks.

Market Outlook for China



DI's Sales Outlook - China

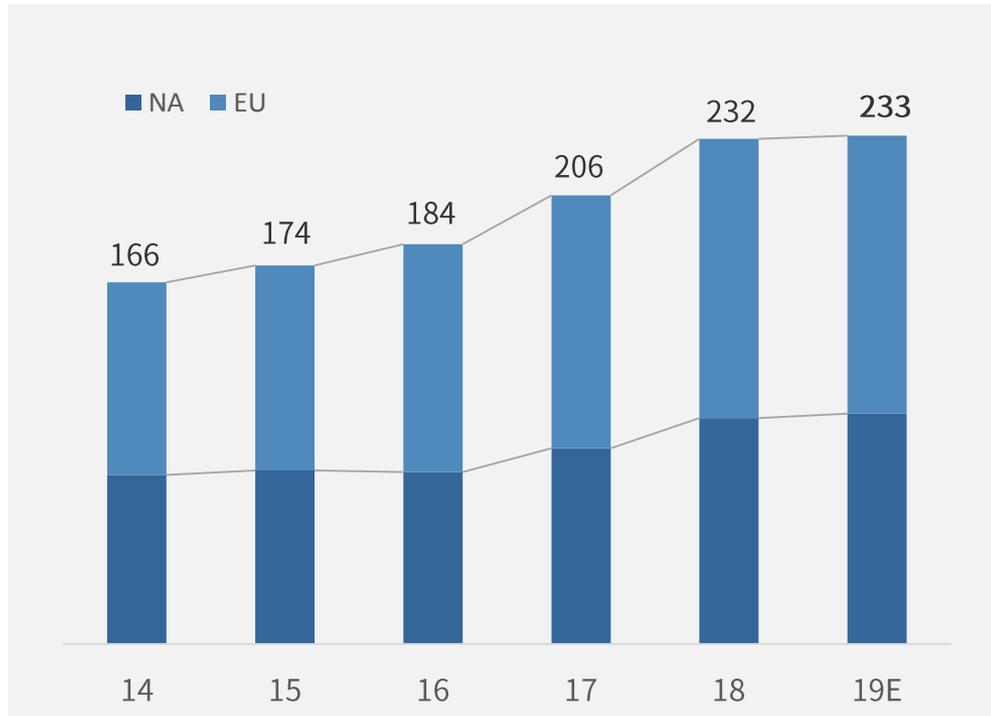


Heavy (Developed Markets)

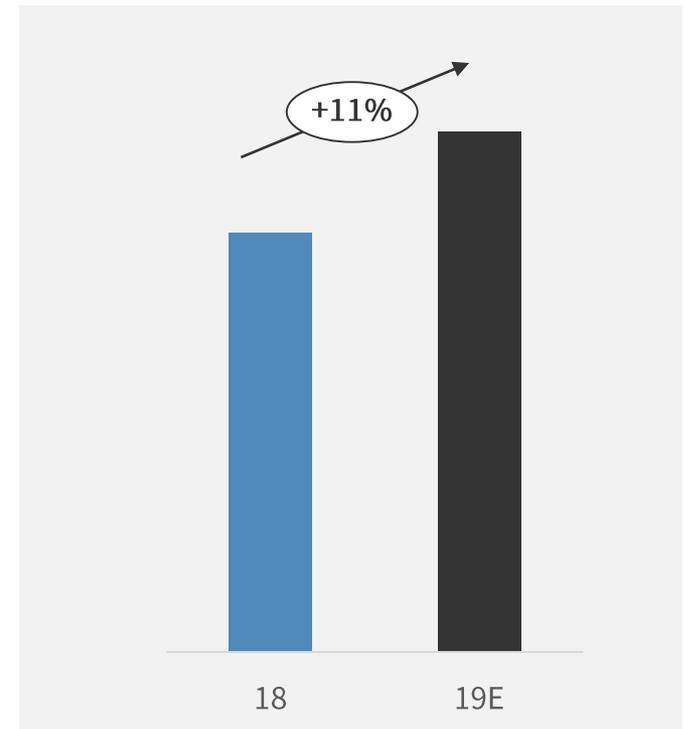
- Demand in developed market should grow marginally to reflect the sluggish global economy.
- Since we took over NA/EU Heavy business, we have endeavored to gradually increase our market share in developed markets by further strengthening our dealer network and increasing our sales volume in the mini excavator market.
- We expect DM sales to grow +11% YoY through efforts to improve our ability to service customers such as establishment of customization centers and part distribution centers in North America.

Market Outlook for Developed Markets (DM)

(unit: '000 units)



DI's Sales Outlook - DM

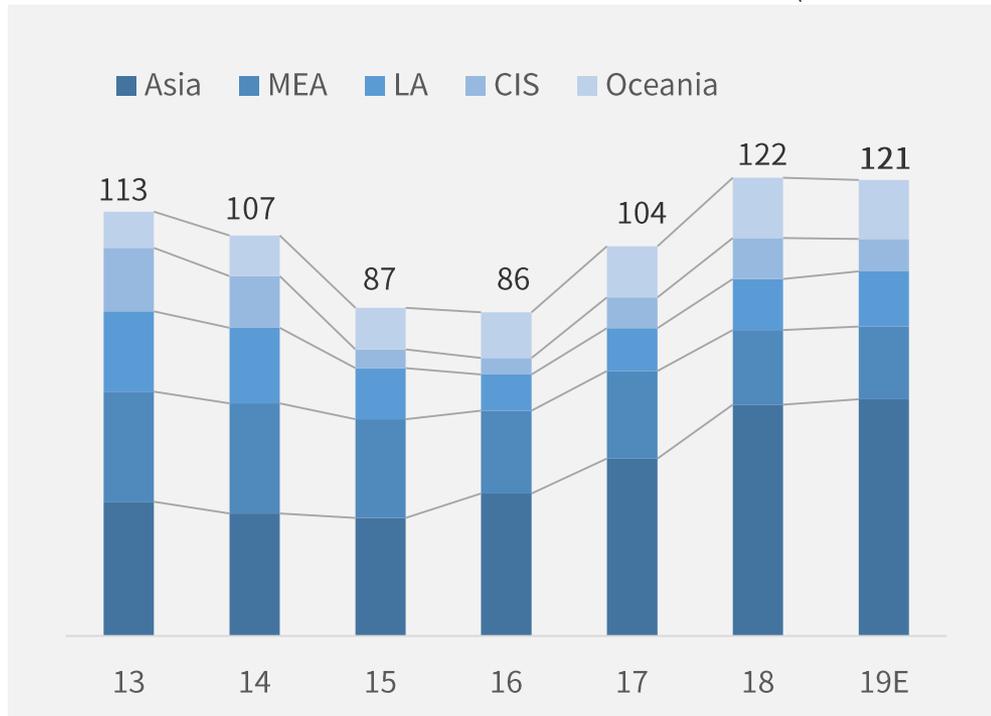


Heavy (Emerging Markets)

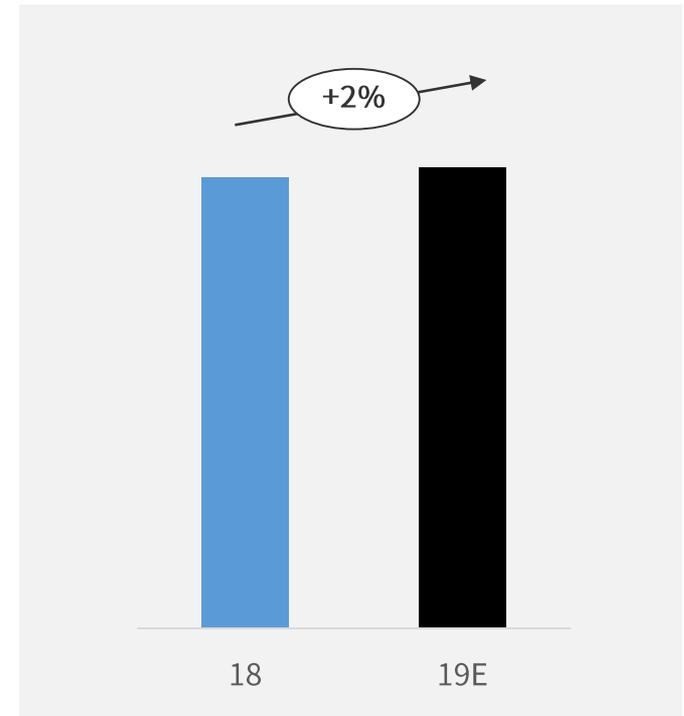
- Demand in emerging market is forecast to decline by -0.5% YoY reflecting both the slowdown in the global economy and F/X risk in the region.
- We will continue to focus on profitability and financial soundness of receivables in the region. Nonetheless, we expect sales in emerging markets to grow 2% YoY based on our efforts to strengthen our channel competitiveness and increase sales contribution from large equipment.

Market Outlook for Emerging Markets (EM)

(unit : '000 units)



DI's Sales Outlook - EM

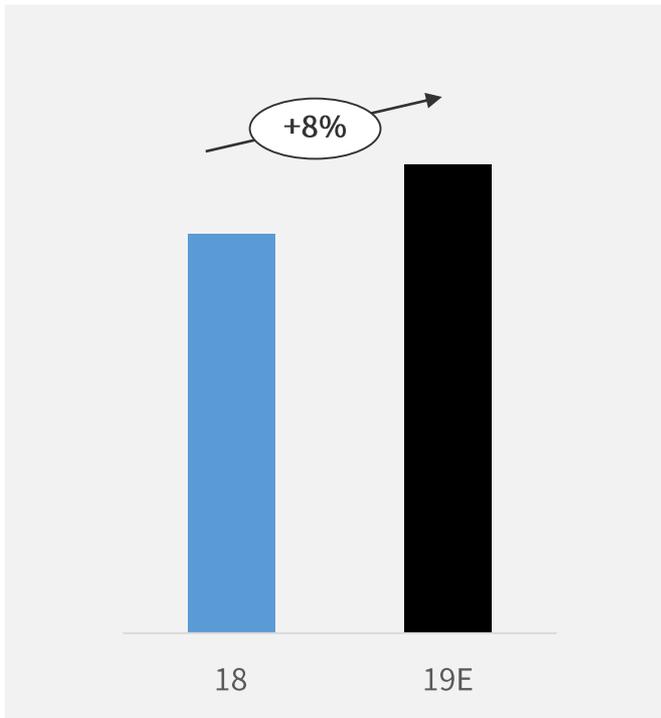


* Source: Company data, Excluding Korea

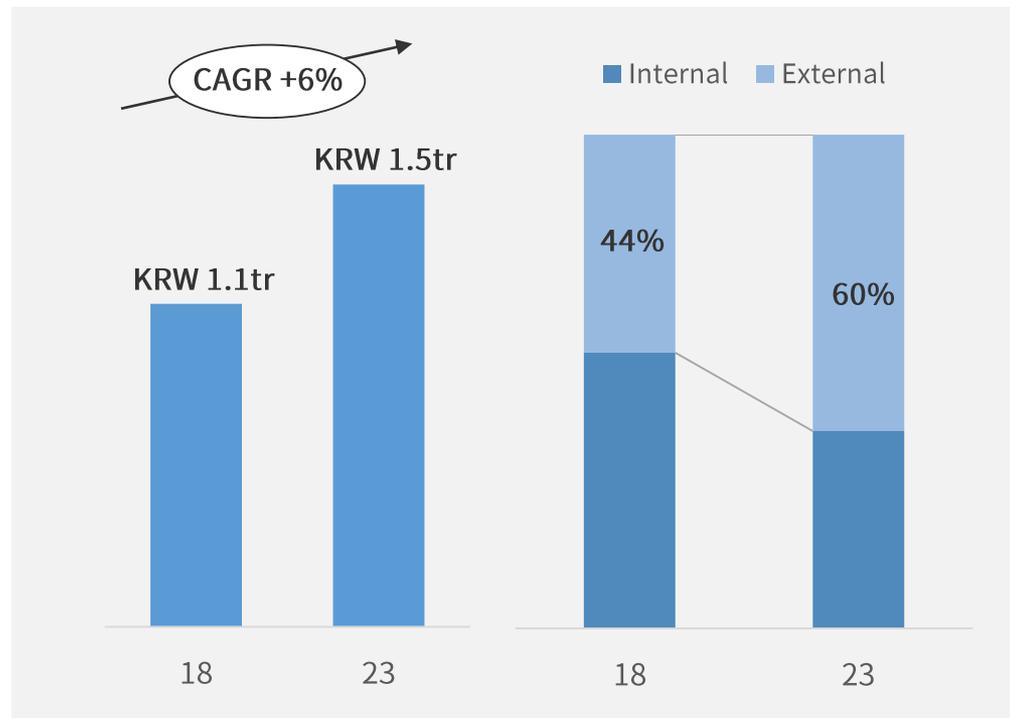
Engine

- We expect sales in the engine division to grow by +8% YoY thanks to volume growth to heavy business/ Bobcat and our efforts to expand into new markets.
- Despite global economic uncertainties, we will continue to 1) expand our sales network and coverage, 2) diversify our market and product offerings, 3) seek new business opportunities with upcoming changes in emission standards such as Europe's Stage5 and China's IV non-road standards.

DI's Sales Outlook - Engine



Mid-term Sales Outlook & Change in Sales Mix



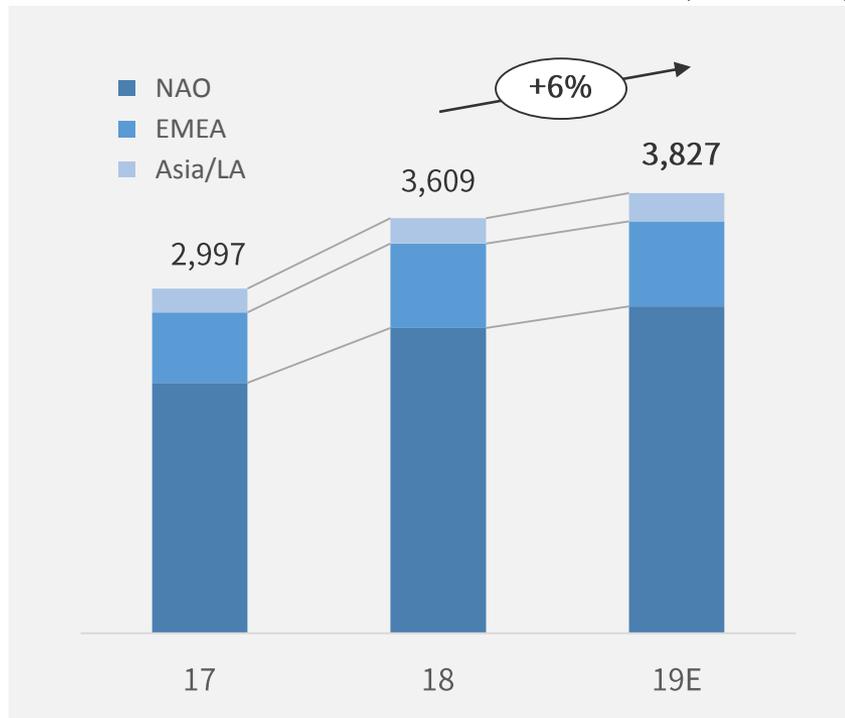
* Figures based on total sales, which includes internal sales

Doosan Bobcat

- Sales should grow +6% YoY to \$3.8bn on the back of steady demand in North America and enhanced competitiveness with the launch of new products.
- EBIT should decline marginally due to 1) initial expenses associated with launch of backhoe loaders and compact trackers and 2) costs to secure growth engines including small articulated loaders and compact wheel loaders.

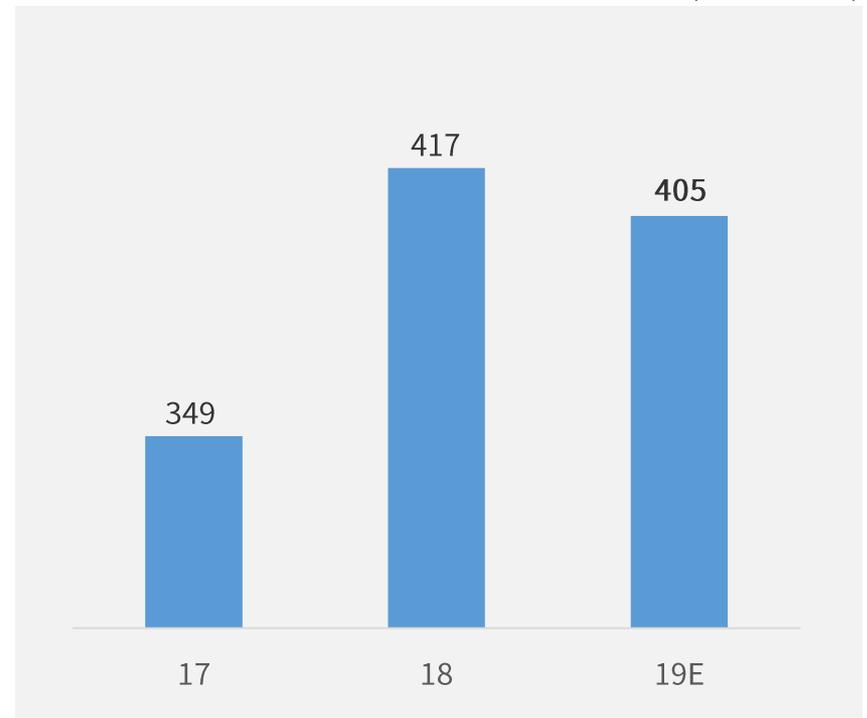
Revenue Outlook

(unit: USD M)



EBIT Outlook

(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	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	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%

• Construction Equipment : Regional sales breakdown

(Unit : KRW billion)

Region	1Q18	2Q18	3Q18	4Q18	2018	YoY
China	425.1	429.1	207.1	253.7	1,315.1	+43.4%
Emerging + Korea	357.2	302.0	278.1	242.7	1,180.0	+8.5%
NA/EU	180.2	219.5	193.6	166.5	759.8	+11.9%
Bobcat	866.0	1,033.0	1,030.4	1,013.4	3,942.8	+16.6%
Total	1,828.6	1,983.6	1,709.2	1,676.4	7,197.8	+18.7%