



Doosan Infracore

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2017 2Q Earnings Release

August 2017



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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Table of Contents

1 2Q17 Results

2 Highlights

2Q17 Results

- Sales increased 10% year-on-year primarily due to volume growth in China and APEM.
- EBIT improved substantially on the back of increased heavy sales and continued margin improvement of the engine business.
- Net profit, adjusted for one-time gains booked in the second quarter of 2016, increased considerably.

Results

(Unit : KRW billion)

	2Q16	1Q17	2Q17	YoY	QoQ
Sales	1,618.3	1,561.6	1,773.4	+9.6%	+13.6%
EBIT	173.5	148.4	214.7	+23.8%	+44.7%
EBIT margin (%)	10.7%	9.5%	12.1%	+1.4%p	+2.6%p
(Net Financial Cost)	58.8	44.7	45.4	-22.8%	+1.6%
(F/X gains/losses)	-15.1	41.7	7.8		
Net Profit	227.8*	74.3	83.6	-63.3%	+12.5%
(Adjusted Net Profit)	46.8	74.3	83.6	+78.6%	

* Includes KRW 181 billion income from discontinued operations after the sale of machine tools business

2Q17 Sales & EBIT by division

- Heavy : Revenue increased substantially thanks to the strong performance in regions such as China, and EBIT also surged due to operating leverage.
- Engines : Revenue and EBIT grew simultaneously in line with volume growths to external customers of G2 engines and our Heavy business.
- Doosan Bobcat : Revenue and EBIT declined due to lower NAO sales and Korean Won appreciation.

Sales

(Unit : KRW billion)

		% of sales	YoY
Heavy *	560.9	32%	+48.8%
Engine**	138.0 (257.2)	8%	+8.7% (+12.5%)
Doosan Bobcat	1,074.4	60%	-3.6%
Total	1,773.4	100%	+9.6%

EBIT & Margin

(Unit : KRW billion)

		EBIT margin	YoY
Heavy*	52.6	9.4%	+657.2%
Engine	26.1	18.9% (10.1%)	+56.7%
Doosan Bobcat	136.0	12.7%	-9.3%
Total	214.7	12.1%	+23.8%

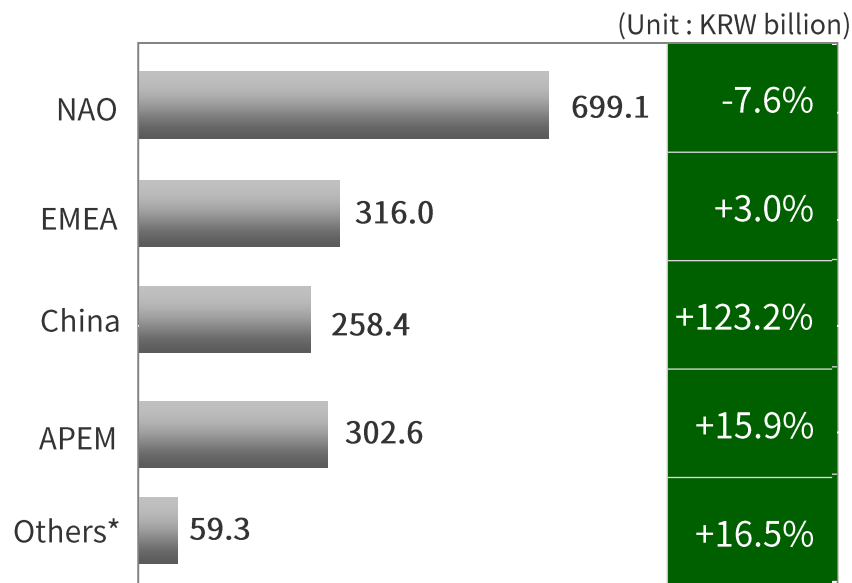
* Includes APEM and China

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

Regional breakdown (Construction equipment)

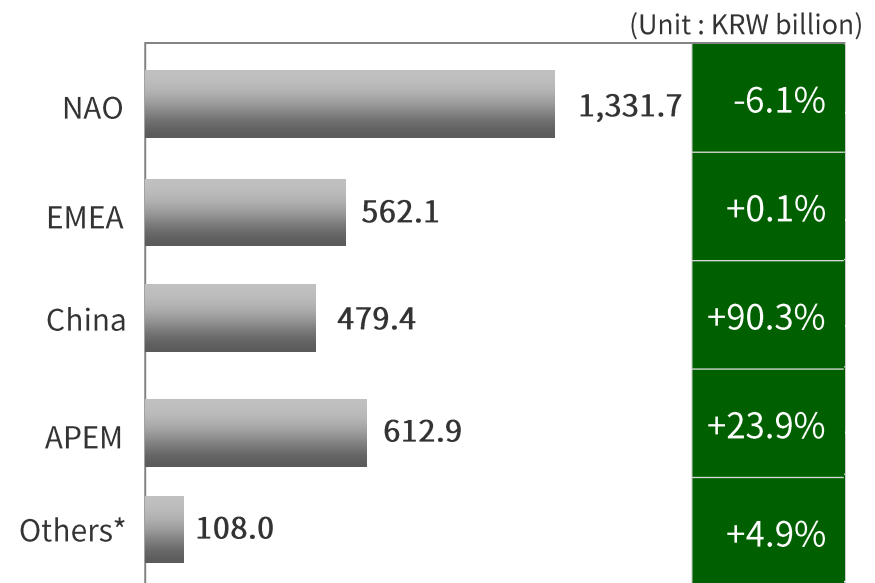
- NAO : Market grew steadily. However, our revenue declined marginally due to relocation of our production lines in North America.
- EMEA : Revenue increased as recovery in key countries such as Germany, France and UK positively affected Heavy sales.
- China : Revenue increased substantially thanks to continued infrastructure investment and accelerated replacement demand.
- APEM : Revenue increased steadily on the back of strong demand from Southeast Asia and Korea.

CE regional breakdown (2Q17)



* Others include HQ and compact sales in Asia/LA

CE regional breakdown (1H17)



* Others include HQ and compact sales in Asia/LA

Financial structure

- Net debt increased marginally as working capital increased during peak season and currency fluctuation negatively affected our F/X-translated debt.
- However, total shareholders' equity increased faster than total liabilities thanks to favorable business conditions and resultant improvement in net profit, thus, leading to improved liabilities to equity ratio at end-2Q17.

Balance Sheet

	2015	2016	1Q17	2Q17	(Unit : KRW billion) Chg. (QoQ)
Current Assets	3,876.0	3,049.6	3,344.6	3,550.5	+205.9
Fixed Assets	7,507.2	6,977.2	6,632.5	6,814.8	+182.3
Total Assets	11,383.2	10,026.8	9,977.1	10,365.0	+387.9
Total Liabilities	8,280.2	6,578.4	6,731.3	6,821.5	+90.2
- Net Debt	5,055.1	3,764.0	3,396.9	3,529.2	+132.3
Total Shareholders' Equity	3,103.0	3,448.4	3,245.8	3,543.4	+297.6
Liabilities/Equity Ratio	266.8%	190.8%	207.4%	192.5%	-14.9%p

Table of Contents

1 2Q17 Results

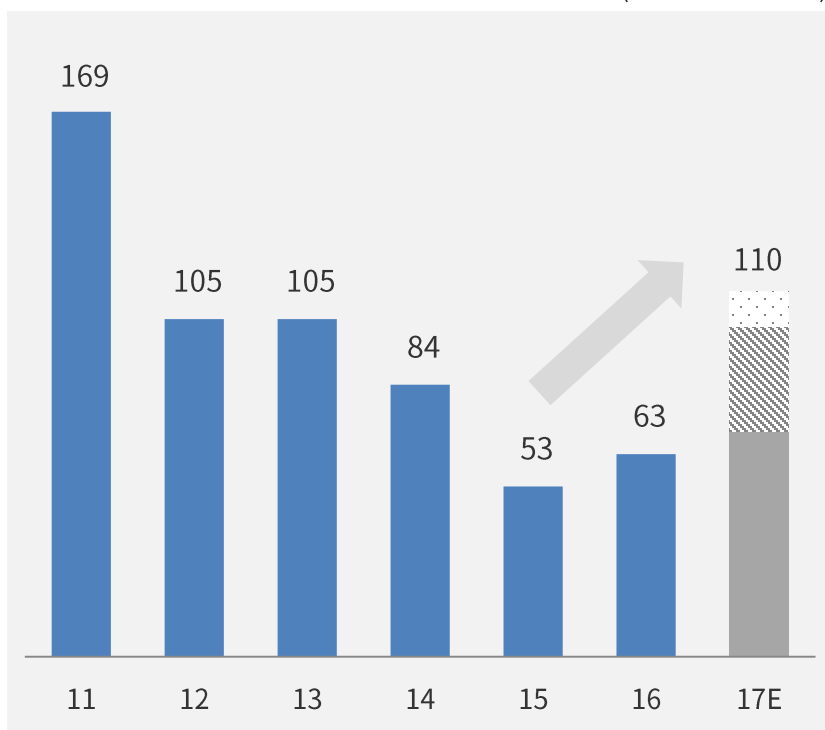
2 Highlights

Heavy (China) – High growth to continue in 2H

- Outlook for Chinese excavator market in 2017 is revised up to 110K units in order to reflect the strong performance in 1H17. (Forecast on market size provided in 1Q17 was 95~100K)
- Given the strong demand stemming from infrastructure investment projects such as Western China Highway and mining activities, we forecast continued product mix improvement towards more mid/large sized excavators and year-on-year sales growth in 2H.

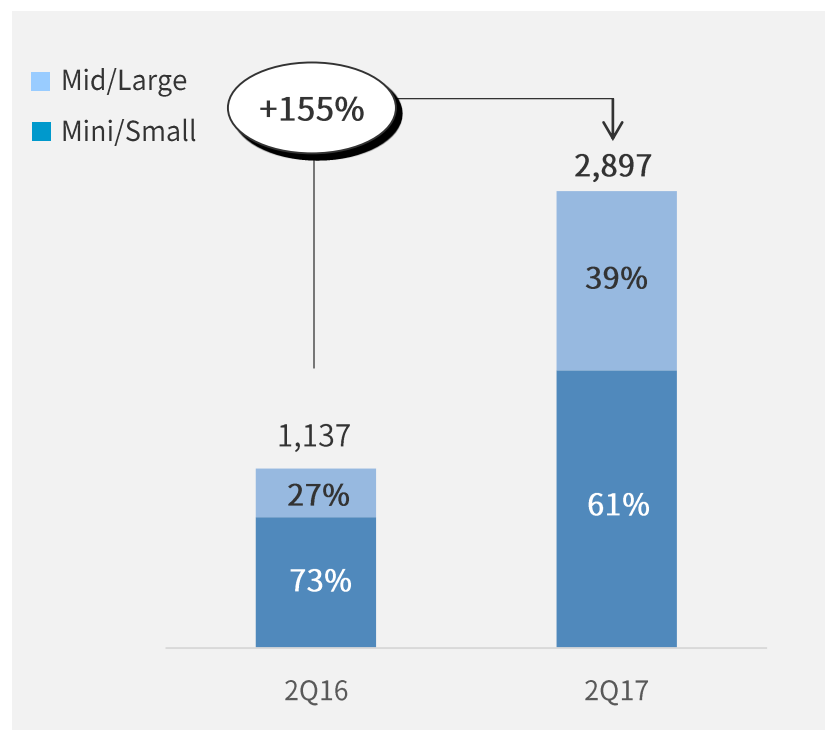
Outlook : Excavator market in China

(unit : '000 units)



DI's sales volume & mix trend in China

(unit : units)

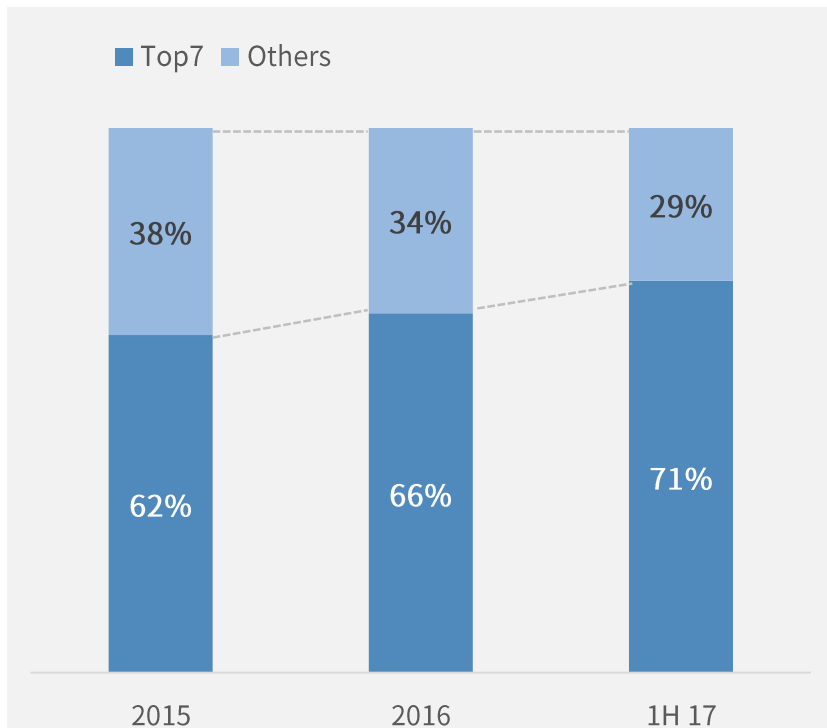


* Source: CCMA

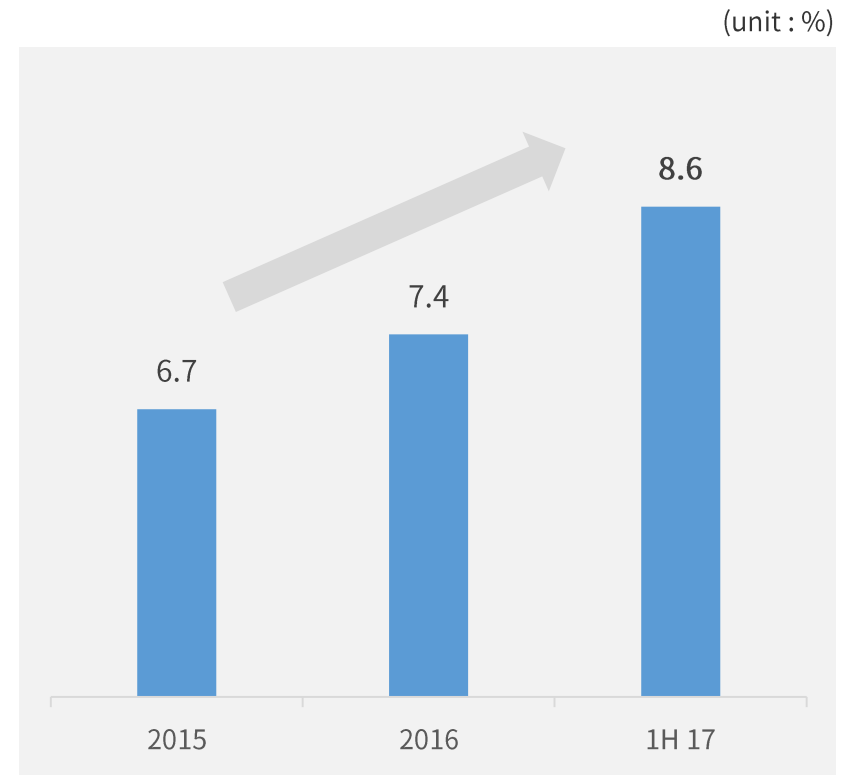
Heavy (China) – Enhanced competitiveness with market restructuring

- Chinese excavator market has undergone restructuring and as a result, market share of Top 7 players now exceed 70%.
- DI's market share has also improved on the back of 1) launch of competitive products and 2) financially sound sales channel.

Market share trend of Top7 players



DI's market share trend

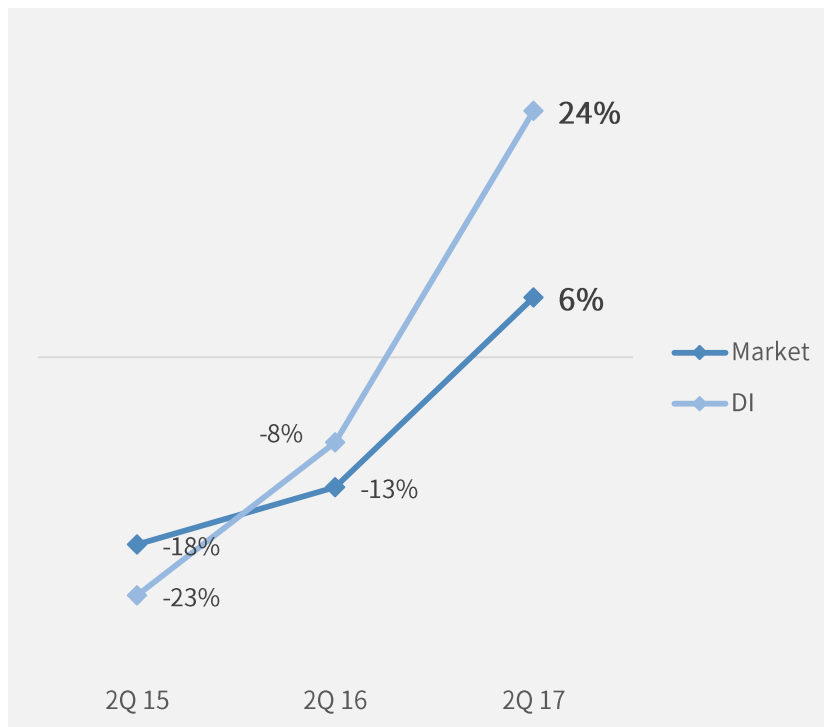


* Source: CCMA

APEM – Faster than expected growth + Increase in market share

- APEM is recovering at a pace faster-than-expected and we are outperforming the market.
- Most emerging markets such as Southeast Asia, Korea and CIS grew two quarters in a row.
 - Particularly, Southeast Asia drove APEM growth due to infrastructure spending.

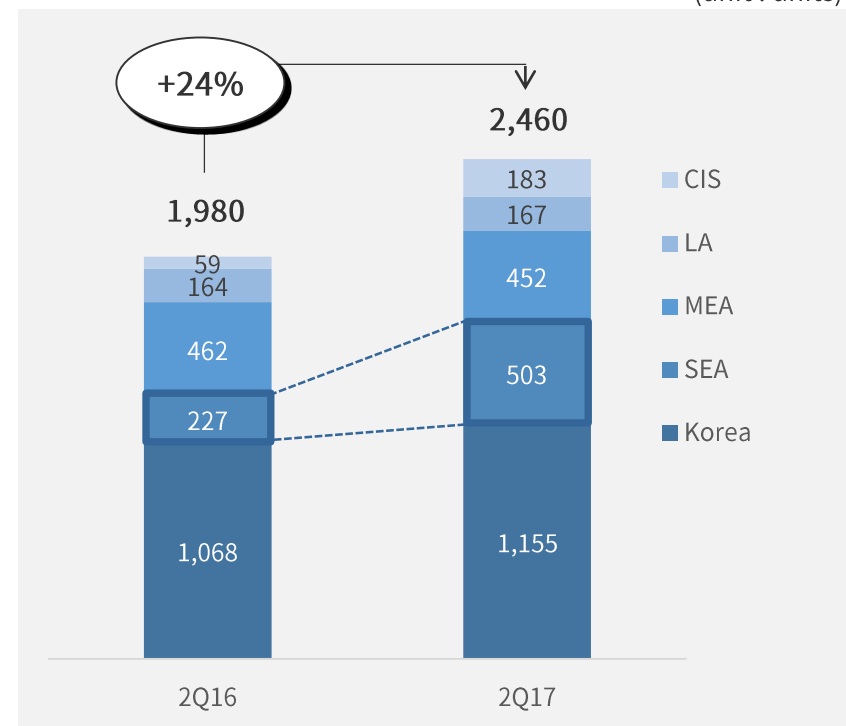
YoY sales growth in APEM



* Source: Company data

Regional sales in emerging markets (YoY)

(unit : units)

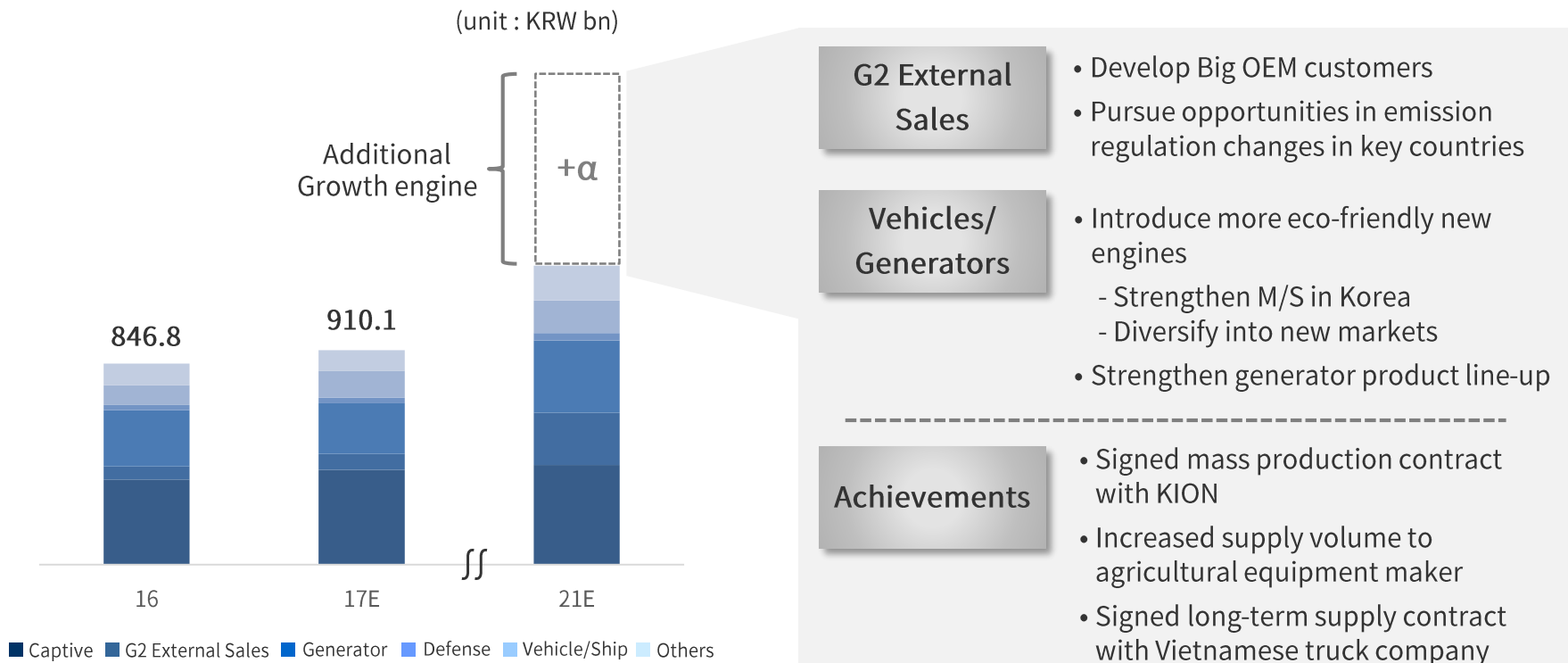


* Source: Company data

Engine – Growth strategy in full swing

- Engine business recorded full-fledged growth thanks to volume growths to our Heavy business and external customers of G2 engines.
- During 1H17, we signed long-term supply contracts with overseas forklift and truck companies.
- In the long run, we plan to accelerate growth via 1) market diversification including China and 2) opportunities in Big OEM customers.

Engine business : Current vs. Growth strategy

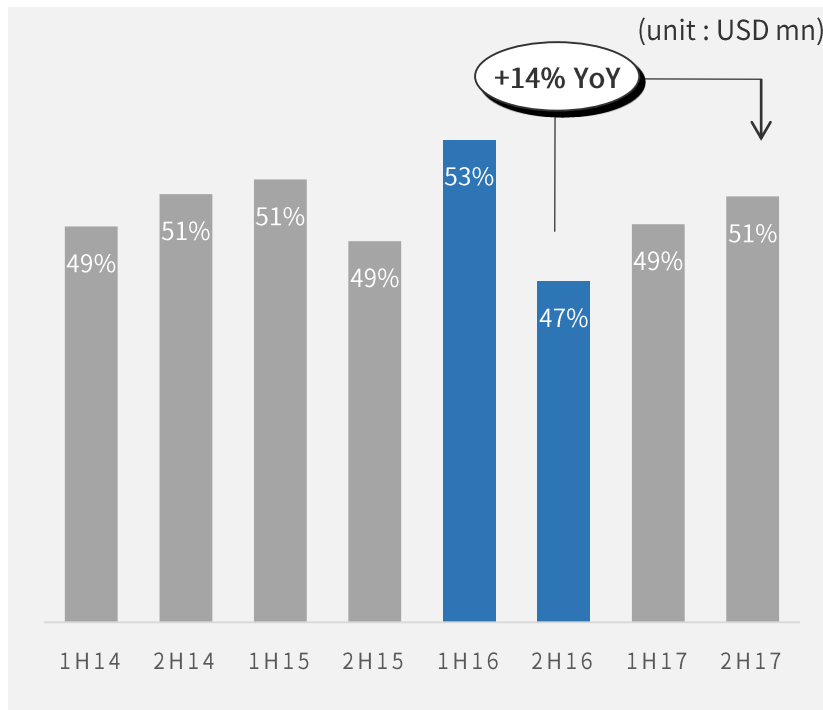


* Figures based on total sales, which includes internal sales

Doosan Bobcat – Sales growth in 2H + Strategy for long-term growth

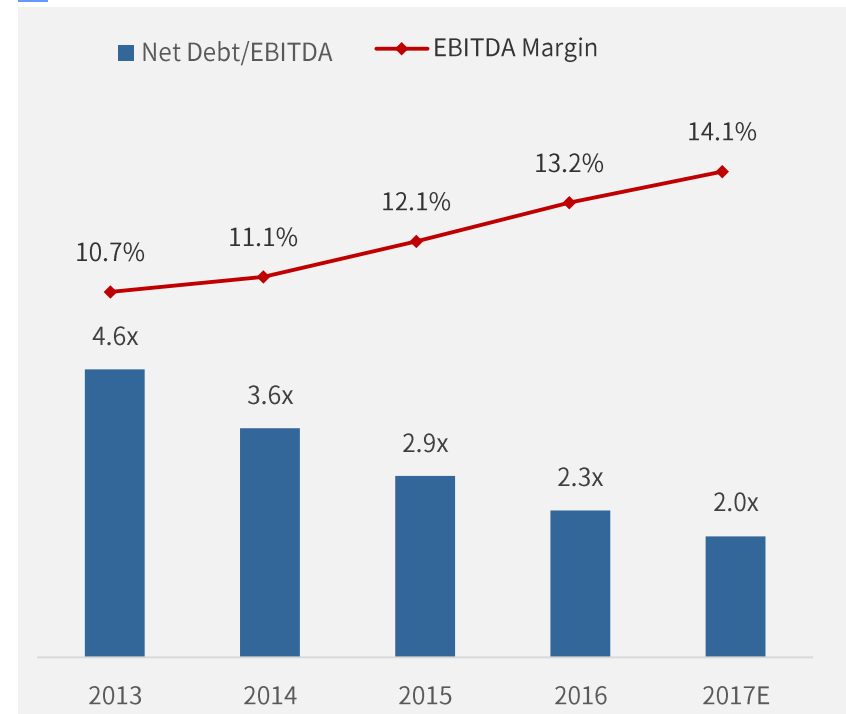
- Sales declined due to one-time events in 1H, however, we expect a turnaround in 2H as production normalizes and dealers restock.
- Based on sound financials, DBI plans to actively pursue long-term growth strategies for the compact business.
 - Going forward, DBI plans to expand product line-up and penetrate new markets within the construction equipment space, as well as pursue new business opportunities within non-construction compact segment.

DBI : 1H vs. 2H sales contribution



* 2017 based on guidance provided earlier this year

Profitability & Financial soundness



* Source: Company data

Business segment information

• China monthly sales volume and M/S

(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							70,821
	DI	295	1,202	1,701	1,217	914	766							6,095
	M/S	7.5%	8.6%	8.3%	8.9%	8.7%	9.3%							8.6%

• CE regional breakdown

(Unit : KRW billion)

지역	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17
NAO	682.6	730.8	709.9	684.0	2,807.3	662.1	756.8	588.1	600.4	2,607.4	632.6	699.1
EMEA	224.3	292.9	252.7	259.5	1,029.4	254.9	306.7	243.7	254.9	1,060.2	246.1	316.0
China	98.5	114.4	64.4	61.8	339.0	136.2	115.8	72.3	109.4	433.6	221.0	258.4
APEM	339.5	275.7	221.7	184.3	1,021.2	233.6	261.0	230.1	193.3	918.0	310.3	302.6
Others *	35.0	54.5	51.4	48.9	189.8	52.0	50.9	47.5	61.1	211.6	48.7	59.3
TOTAL	1,379.8	1,468.3	1,300.1	1,238.5	5,386.7	1,338.7	1,491.3	1,181.7	1,219.1	5,230.9	1,458.7	1,635.4

* Includes HQ & compact sales in Asia/LA

