



Doosan Infracore

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2021 2Q Earnings Release

July 2021



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.

While the statements in this presentation represent our current assumptions plans and expectations and we believe these judgments are reasonable they are not guarantees of future performance and involve known and unknown risks uncertainties such as FX & raw material costs and other factors that may cause actual results to differ materially from the results performance achievements or financial position expressed or implied in this presentation.

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2 Highlights

2Q21 Results

- Sales increased +23% YoY as demand for construction equipment and engines recovered thanks to global infrastructure investment and raw material/oil price hikes.
- Despite F/X change and increase in costs, EBIT improved +66% YoY due to sales growth in all regions except China, turnaround in engine business, and price realization.

Income Statement

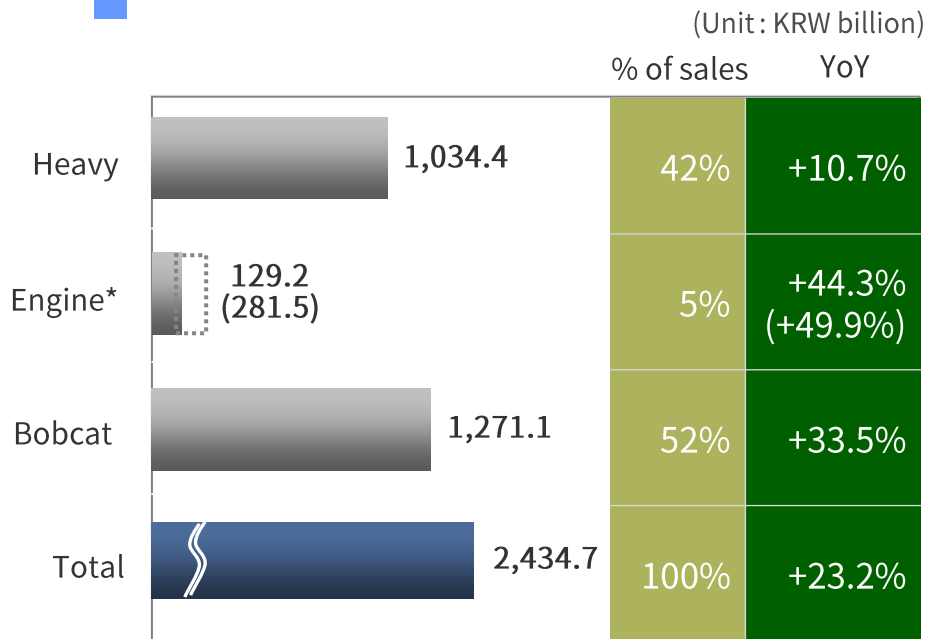
(Unit : KRW billion)

	2Q20	1Q21	2Q21	YoY	QoQ
Sales	1,975.7	2,486.9	2,434.7	+23.2%	-2.1%
EBIT	154.3	295.4	255.8	+65.8%	-13.4%
EBIT margin(%)	7.8%	11.9%	10.5%	+2.7%p	-1.4%p
(Net Financial Cost)	41.0	36.1	37.1	-9.6%	+2.8%
(F/X gains/losses)	-4.6	7.0	7.0	-	-
Pretax Profit	106.5	285.6	215.3	+102.2%	-24.6%
Net Profit	78.1	187.3	156.0	+99.8%	-16.7%

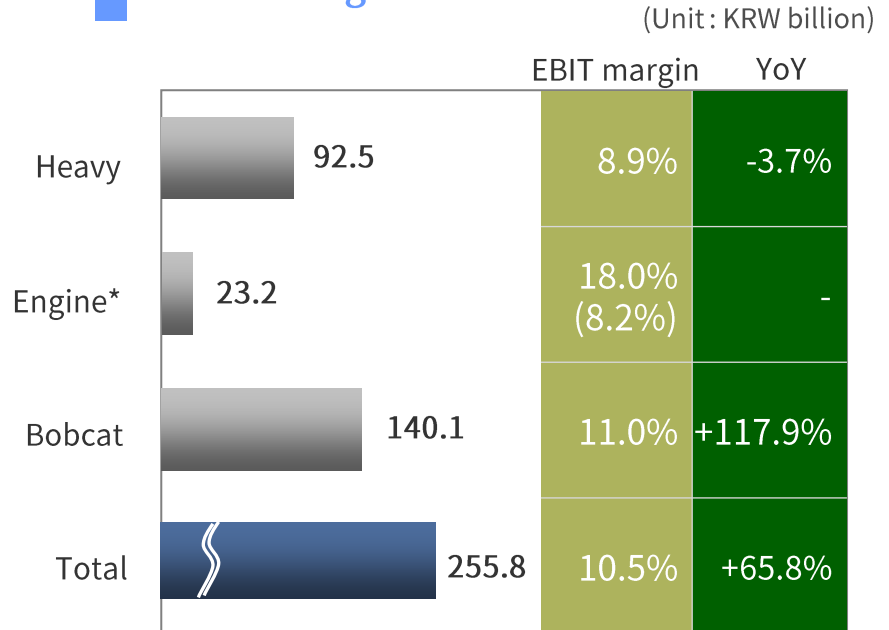
2Q21 Sales & EBIT by division

- Heavy : Sales increased thanks to demand stemming from infrastructure investment and mining activity. However, EBIT declined marginally due to slowing demand in China and cost pressure.
- Engine : Sales grew 44% YoY and EBIT turned black due to demand from 1) Heavy business/Bobcat and 2) third party customers for generator and aftermarket businesses.

Sales



EBIT & Margin



Note : Sales breakdown based on 3rd party revenue

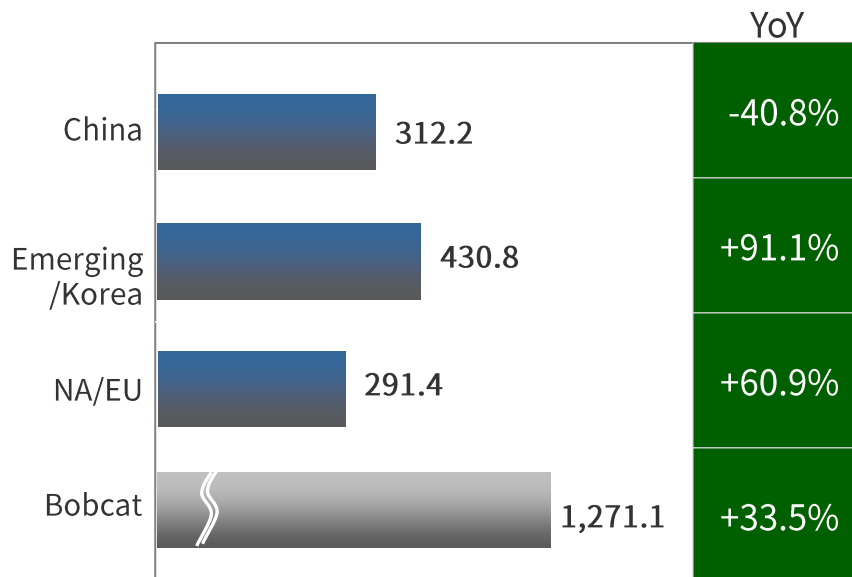
* Numbers in parenthesis are based on total sales of engine business, which includes internal sales

Regional breakdown (Construction equipment)

- China : Sales decreased due to tightening measures by the Chinese government and resultant slow down in new construction projects.
- Emerging/Korea : Sales increased in all regions thanks to raw material price hike and infrastructure investment, while profitability improved due to price realization.
- NA/EU : Sales grew in line with steadily rising vaccination rates and infrastructure investment, and we continued to enhance market presence via our efforts to strengthen channel competitiveness.

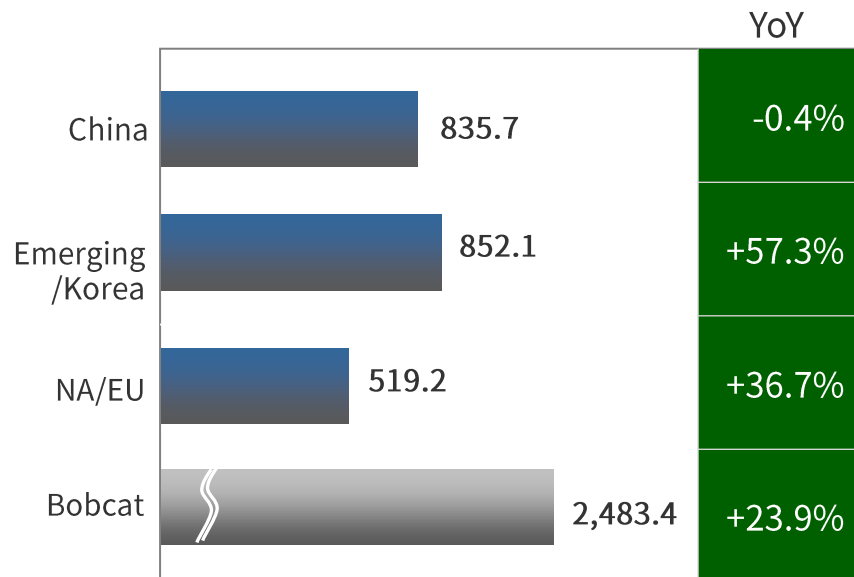
CE regional breakdown (2Q21)

(Unit : KRW billion)



CE regional breakdown (1H21)

(Unit : KRW billion)



Financial structure

- Net debt decreased by KRW 234.9 bn compared to end-2020 thanks to increased profits.
(Net debt to equity ratio improved by 12.3%p compared to end-2020).

Balance Sheet

(Unit : KRW billion)

	2019	2020	1Q21	2Q21	Compared to 2020
Current Assets	4,304.9	5,049.6	6,001.1	6,613.5	+1,563.9
Fixed Assets	7,033.7	6,977.3	7,175.5	7,142.1	+164.8
Total Assets	11,338.6	12,026.9	13,176.6	13,755.6	+1,728.7
Total liabilities	7,071.0	7,537.9	8,357.1	8,541.4	+1,003.5
- Net Debt	3,022.7	2,505.5	2,231.0	2,270.6	-234.9
Total shareholder's Equity	4,267.6	4,489.0	4,819.5	5,214.2	+725.2
Liabilities/Equity Ratio	165.7%	167.9%	173.4%	163.8%	-4.1%p
Net Debt/Equity Ratio	70.8%	55.8%	46.3%	43.5%	-12.3%p

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1 2Q21 Results

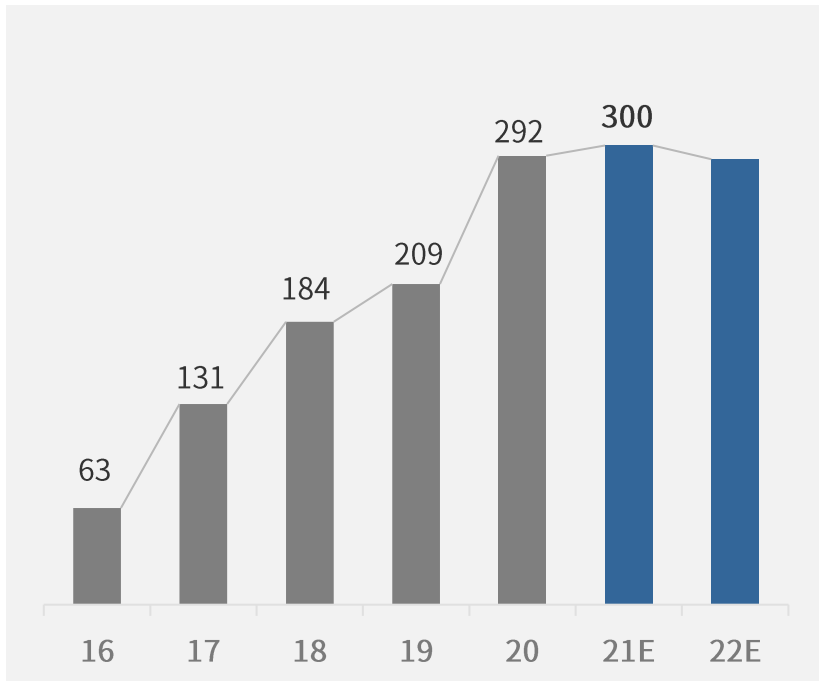
2 Highlights

Heavy (China)

- Demand slowed down in China as new construction starts dwindled due to environment and safety related inspections during 2Q.
- Nonetheless, we continue to expect solid demand in 2021 considering raw material price trend and stronger emission standards slated for next year.
- We are strategically focusing on profitability by 1) raising prices on mini/small excavators, and 2) increasing sales contribution from profitable product category.

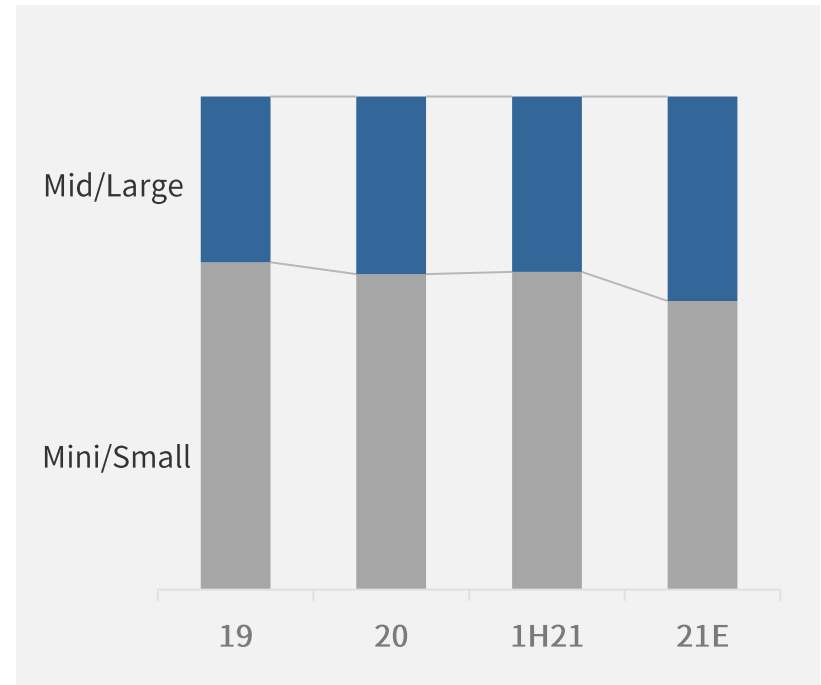
Market outlook for China

(Unit : 1000 units)



* Source: CCMA

DI's product mix in China



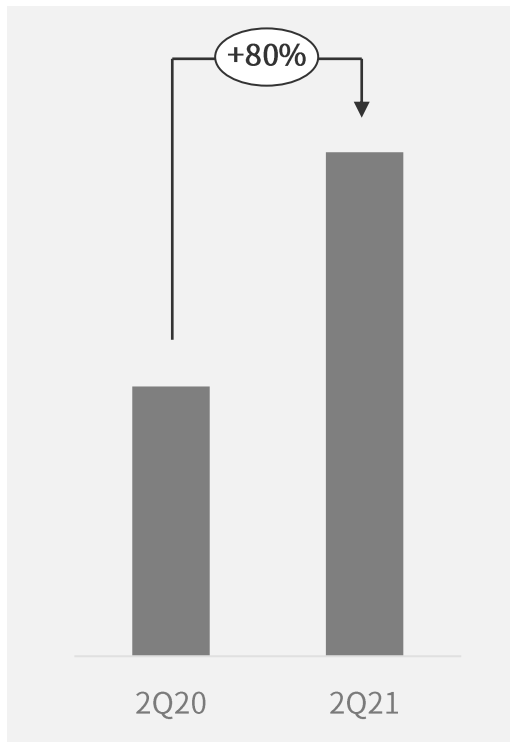
* Source: CCMA

Heavy (Emerging/Korea)

- Market is growing at a rapid pace in 2Q, and we continue to expect steady demand in 2H thanks to government-led infrastructure investment and rising raw material prices.
- DI captured demand in emerging markets through increased sales activities for fleet orders and efforts to enhance product competitiveness. Profitability is also improving in line with volume growth and price realization, despite increase in input costs.

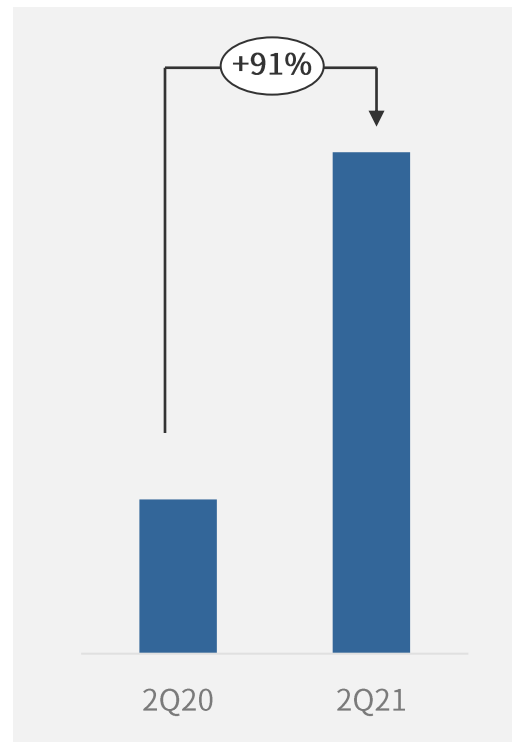
Market Trend

(Unit : units, YoY)

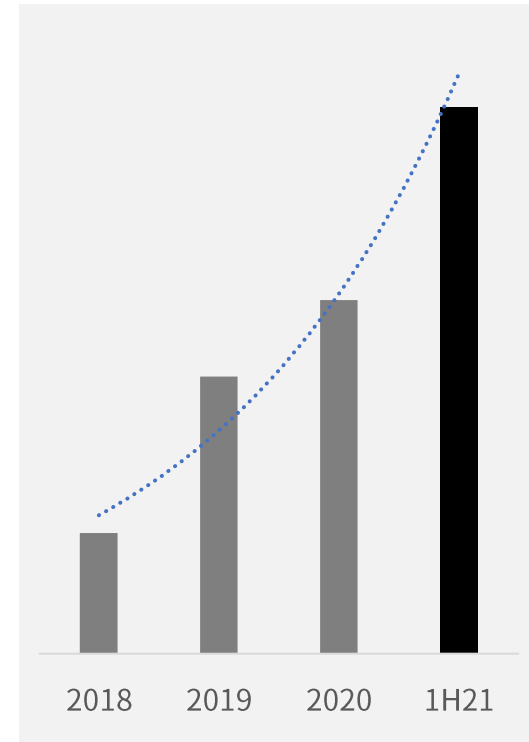


DI's sales

(YoY)



DI's profitability trend

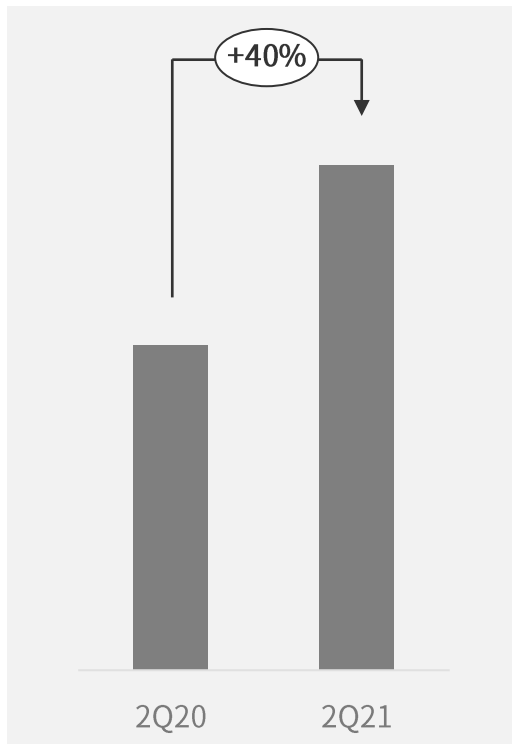


Heavy (Developed Markets)

- Developed markets rebounded in line with rising vaccination rates and stimulus measures.
- We expanded our market share thanks to 1) enhanced channel competitiveness and 1) efforts to win key account orders. We have also secured an additional growth engine via attachment sales.

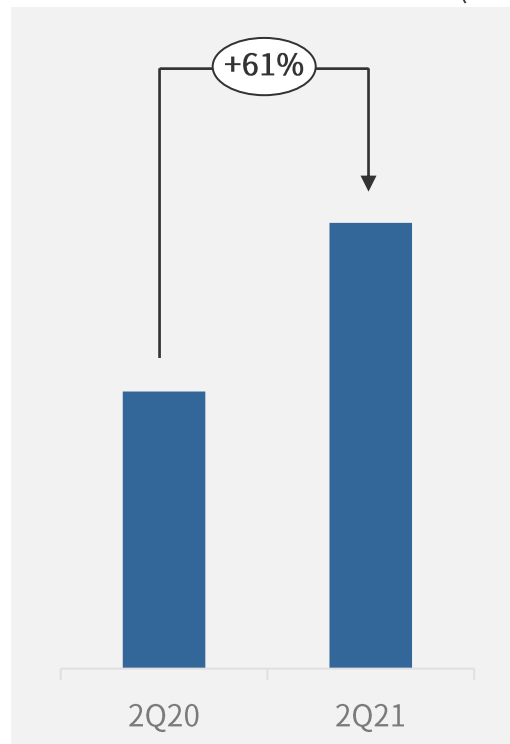
Market Trend

(Unit : units, YoY)

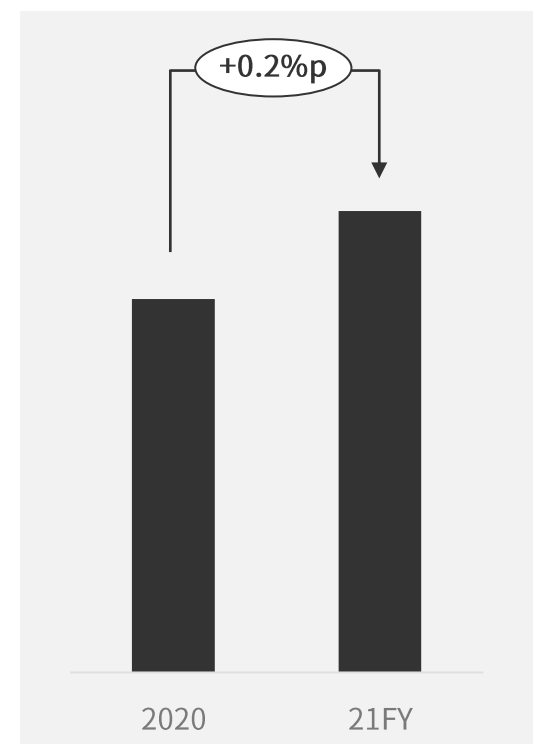


DI's sales

(YoY)



DI's market share

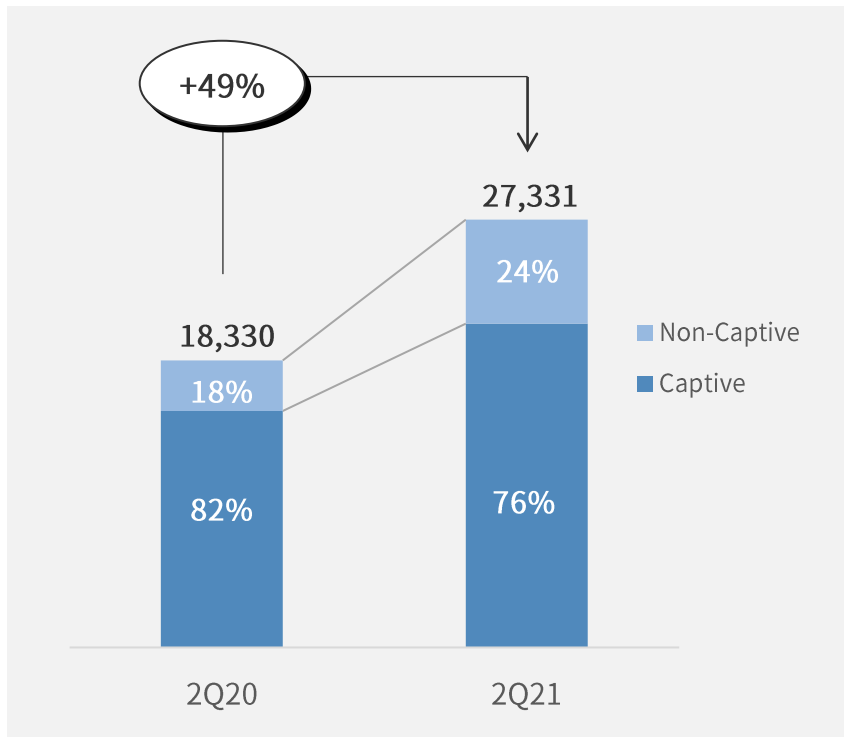


Engine

- Sales grew in line with volume to captive customers and non-captive customers for generator/ vehicle engines, and after market revenue.
- Operating leverage and contribution from after-market revenue enabled the engine division to turn profitable. We anticipate profitability to continue to improve thanks to oil price trends and resultant demand for generator engines.

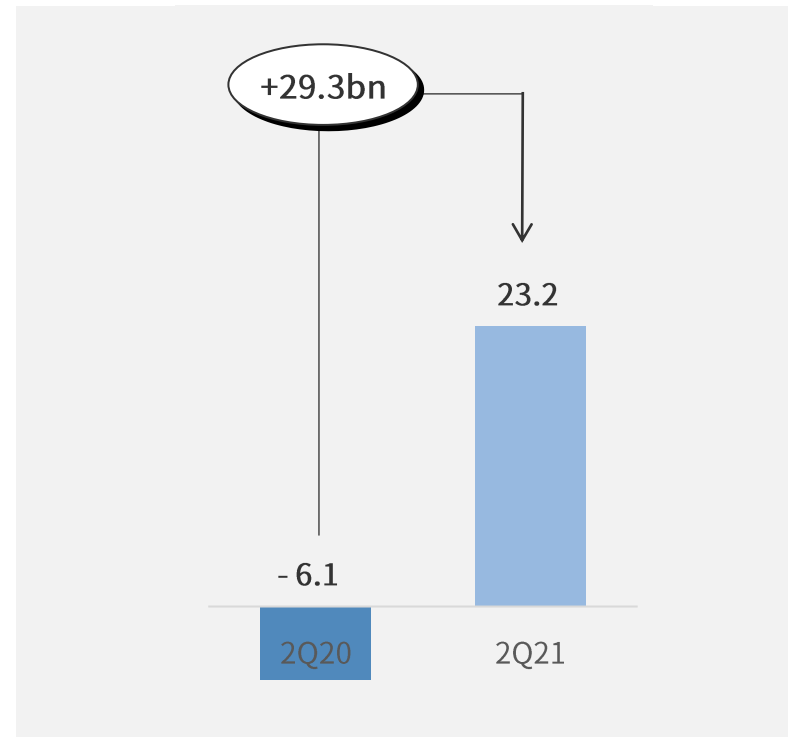
Sales volume by segment

(Unit : units, YoY)



Engine EBIT

(Unit : KRW bn)



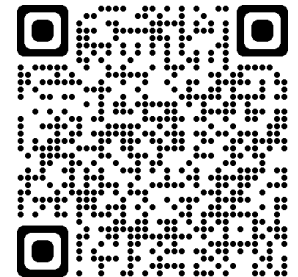


[ESG] 2020 Doosan Infracore Integrated Report



- Doosan Infracore strives to embody environmental, social, and governance(ESG) management in its overall corporate management. To this end, we publish an integrated report to disclose our financial and non-financial performance results generated through the interaction of diverse ESG factors, based on which corporate values are created.
- It includes effort to strengthen corporate resilience, technology innovation and digitalization in the face of market uncertainty and COVID-19 pandemics.
- Especially, we introduce the company's efforts to respond to climate change based on technological innovation
- Doosan Infracore derived a framework consisting of three areas and 14 indices to describe our mid-long term ESG strategies and objectives.

Details through QR code.



[ESG] Key indicators - Climate change & Employee health & safety

Climate change

Innovation for automation

Ratio of projects related to autonomous technology to all research projects

2019	2020	Target
28.3	38.2	Achieved
	%	

Major activities
Developed technological capabilities through continued research in the areas of assist (driver assist), safety, prognostics and health management (PHM), and X-Center (comprehensive control system), which are key factors of autonomous solutions



Commitment

Lead industrial innovation by improving construction industry site efficiency and safety using autonomous technologies

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Decarbonization and alternative fuel products

- Engine: No. of CO₂ reduction research projects
- Construction equipment: Ratio of electro-hydraulic applied models²⁾

2019	2020	Target
45	53	Achieved
	cases	

2019	2020	Target
8.7	9.8	Achieved
	%	

Major activities
Successfully tested the application of the mild hybrid powertrain (H24) to equipment
Moved forward with E-Powerpack commercialization



Commitment

Contribute to easing climate change impacts by securing carbon emission reduction technologies and leading the development of relevant products

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Response to climate change

Reduce carbon emissions in production³⁾

2019	2020	Target
112,186	90,447	Achieved
	tCO ₂ eq	

2019	2020	Target
0.036	0.033	Achieved
	tCO ₂ eq/KRW million	

Major activities
Adopted high-efficiency facilities (boilers and air compressors)
Moved forward with reducing worksite environmental risks and increasing operational efficiency by building an IoT-based integrated monitoring system (DooEco)



Commitment

Contribute to easing climate change impacts by integrating carbon emission target management into company strategies and plans

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Employee health and safety

Employee health

Occupational Illness Frequency Rate (OIFR)¹⁾

2019	2020	Target
0.315	0.107	N/A

Major activities
Operated programs for hearing preservation and musculoskeletal system protection



Commitment

Promote employee health and welfare through the continuous management of occupational illness

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Employee safety

Lost Time Incidents Rate (LTIR)³⁾

2019	2020	Target
1.17	0.61	Achieved

Major activities
Outcome of strengthened safety management (Safety-Keeper, special budget for EHS)
Strengthened EHS leadership activities (Field Safety Patrol by leaders)
Reduced changes, such as a change in jobs



Commitment

Promote employee health and welfare at industrial sites through active accident management

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[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
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	14,869	17,149	17,230	208,869
	DI	701	1,603	3,439	1,802	1,088	1,074	539	629	969	1,041	1,262	1,123	15,270
	M/S	6.9%	9.3%	8.2%	6.8%	6.5%	8.7%	5.3%	5.5%	7.4%	7.0%	7.4%	6.5%	7.3%
2020	Market	7,749	6,893	46,201	43,367	29,513	21,724	16,243	18,067	22,578	23,872	28,830	27,314	292,351
	DI	370	482	3,151	3,239	2,166	1,320	943	1,126	1,551	1,418	1,692	1,228	18,686
	M/S	4.8%	7.0%	6.8%	7.5%	7.3%	6.1%	5.8%	6.2%	6.9%	5.9%	5.9%	4.5%	6.4%
2021	Market	16,019	24,547	72,968	41,093	22,066	16,954							193,647
	DI	807	1,754	4,591	2,302	878	643							10,975
	M/S	5.0%	7.1%	6.3%	5.6%	4.0%	3.8%							5.7%

• Construction Equipment : Regional sales breakdown

(Unit : KRW billion)

	1Q20	2Q20	3Q20	4Q20	2020	YoY	1Q21	2Q21	YoY
China	311.5	527.5	308.9	319.2	1,467.2	+17.0%	523.5	312.2	-40.8%
Emerging/Korea	316.2	225.5	234.4	237.3	1,013.4	-6.4%	421.4	430.8	+91.1%
NA/EU	198.7	181.1	197.5	171.9	749.2	-7.8%	227.7	291.4	+60.9%
Bobcat	1,052.8	952.0	1,073.6	1,159.7	4,238.1	-5.0%	1,212.3	1,271.1	+33.5%
Total	1,879.3	1,886.1	1,814.4	1,888.1	7,467.9	-1.8%	2,384.9	2,305.5	+22.2%

[Appendix] Summary of changes in financial statement

(1H, Consolidates)	IR (A)	Disclosed (B)	Diff. (B-A)
· Sales	4,921.6	2,585.8	-2,335.9
· EBIT	551.2	219.0	-332.2
(Interest Expenses)	-82.1	-48.9	33.2
· Pretax Profit	500.9	186.1	-314.8
· Profit from Continuing Operation	343.3	129.9	-213.4
· Profit from Discontinuing Operation (*1)		213.4	213.4
· Net Profit	343.3	343.3	
· Total Assets	13,755.6	13,755.6	
· Total Liabilities	8,541.4	10,478.7	1,937.3
· - Accrued Dividends (*2)		1,937.3	1,937.3
· Total Equities	5,214.2	3,276.9	-1,937.3
· Liabilities/Equity Ratio	163.8%	319.8%	156.0%
· Debt	4,885.5	2,295.5	-2,590.0
· Net Debt	2,270.6	1,489.6	-781.0

비고

(*1) Profit and losses related to discontinued operations such as Doosan Bobcat and D20 reflected in consolidated financial statement

(*2) Difference in assets and liabilities related to the spin-off are reflected as accrued dividends
 - Transferred assets such as shares in affiliated companies (KRW 2,976.1bn)
 - Transferred liabilities such as debts (KRW 1,038.8bn)