



Doosan Heavy Industries & Construction

Doosan Heavy Industries &
Construction

'18.3Q Results



2018.10.

Disclaimer

This presentation was prepared for the convenience of investors. The financial figures contained in this presentation are K-IFRS consolidation and DHI operation* basis.

Also, this presentation has been prepared in advance prior to the completion of external audit, only for the convenience of investors. Accordingly, it may be subject to change during the course of audit.

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* DHI Operation : DHIC Parent & Overseas Subsidiaries(DPS and etc.)

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DHIC_Summary

In 3Q, orders recorded KRW 2.4T. and cumulative orders recorded 3.7T., while sales and operating profit decreased YoY.

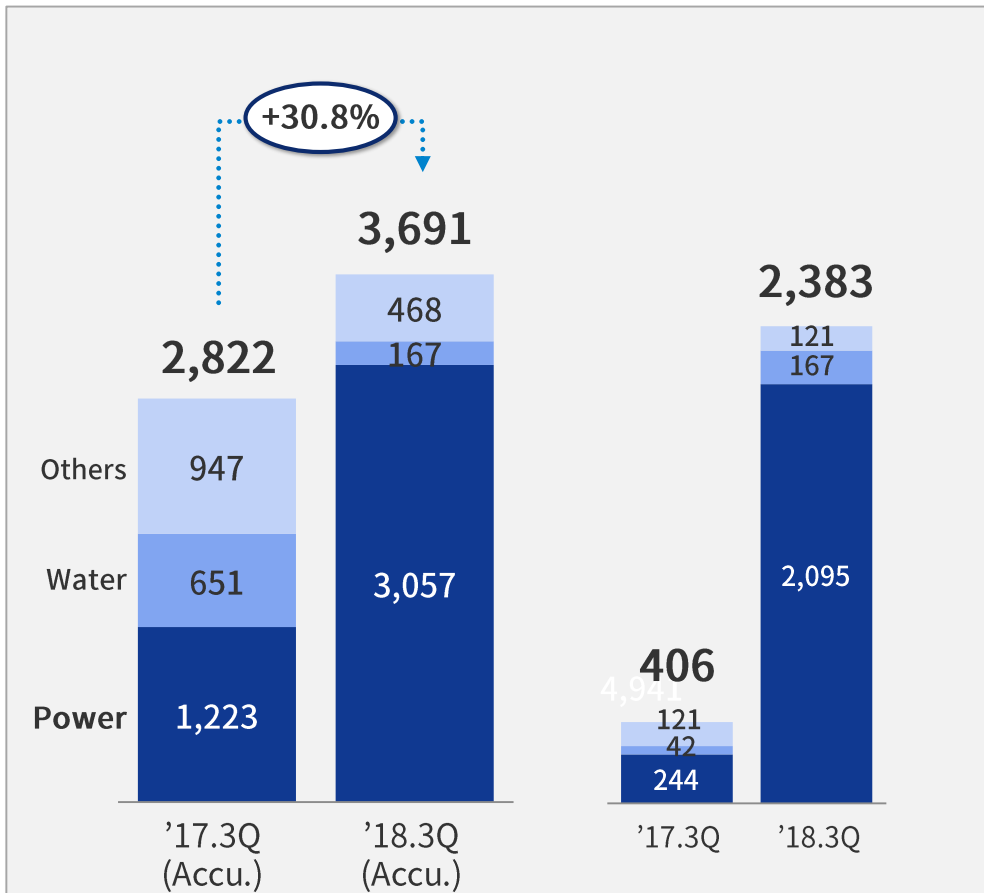
(Unit : KRW B., %)

Category	2017		2018		Difference(YoY)	
	3Q	3Q (Accu.)	3Q	3Q (Accu.)	3Q	Accu.
Orders	406	2,822	2,383	3,691	+1,977	+869
Backlog		17,160		17,731		+571
Sales	1,344	4,164	1,188	3,769	-156	-395
OP	42	174	6	135	-36	-39
OPM(%)	3.1%	4.2%	0.5%	3.6%	-2.6%p	-0.6%p
EBITDA	102	348	65	319	-37	-29
Non-OP	-70	-226	-36	-39	+34	+187
Interest P/L	-42	-125	-56	-154	-14	-29
FX	-25	-46	-1	-26	+24	+20
Others	-3	-55	21	141	+24	+196
Net P/L	-28	-73	-30	37	-2	+110

DHIC_New Orders

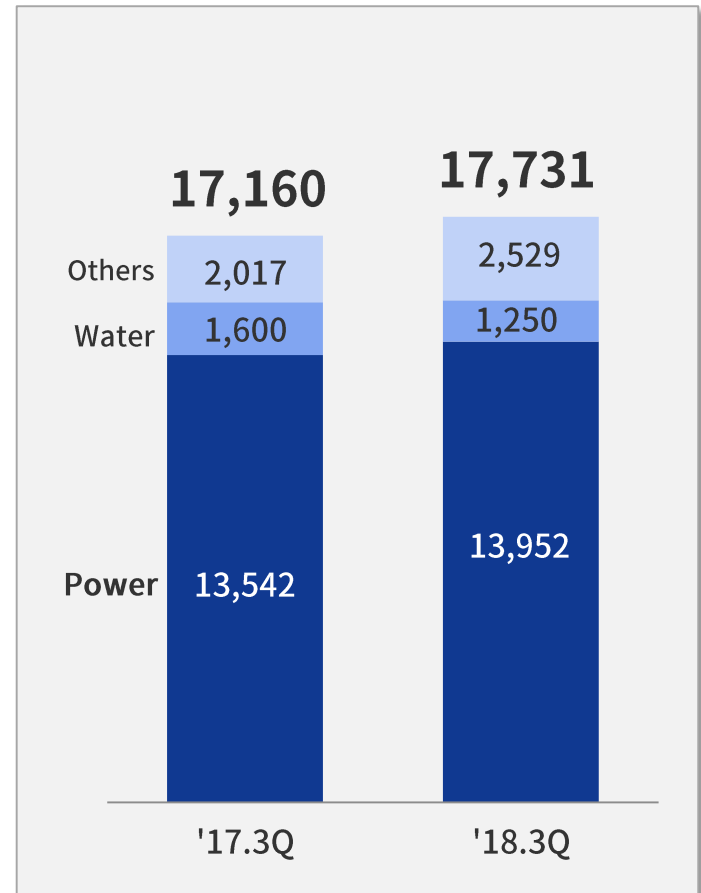
3Q orders increased highly YoY thanks to Samcheok Pospower, a domestic coal-IPP.
Order backlogs maintained at about KRW 18T.

Orders



Backlogs

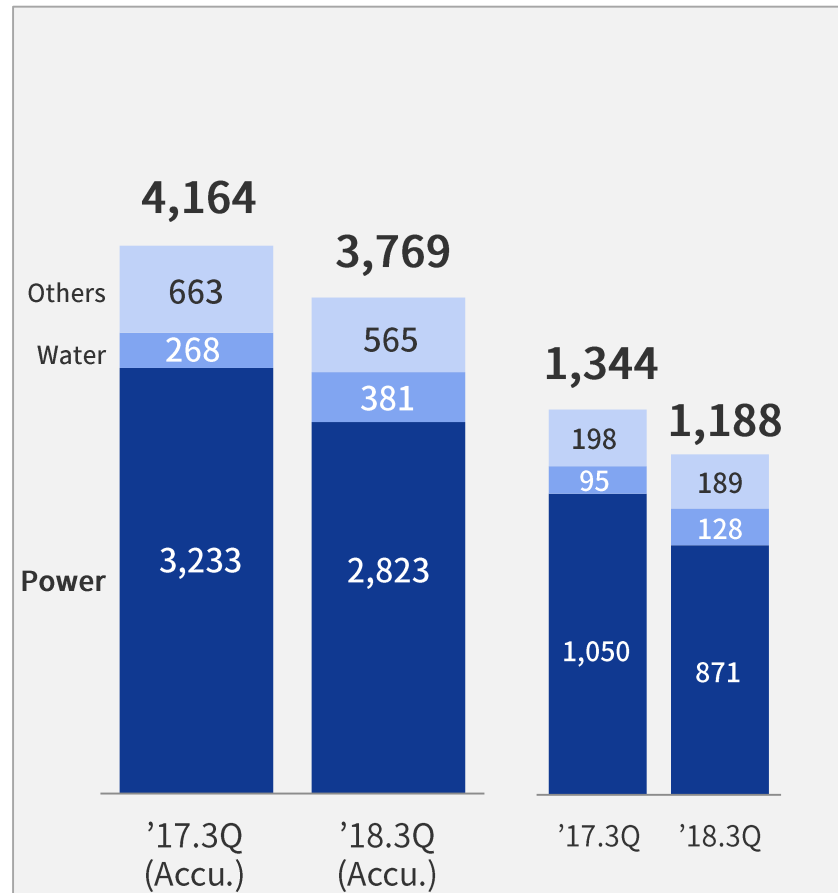
(Unit : KRW B.)



DHIC_Sales/OP(%)

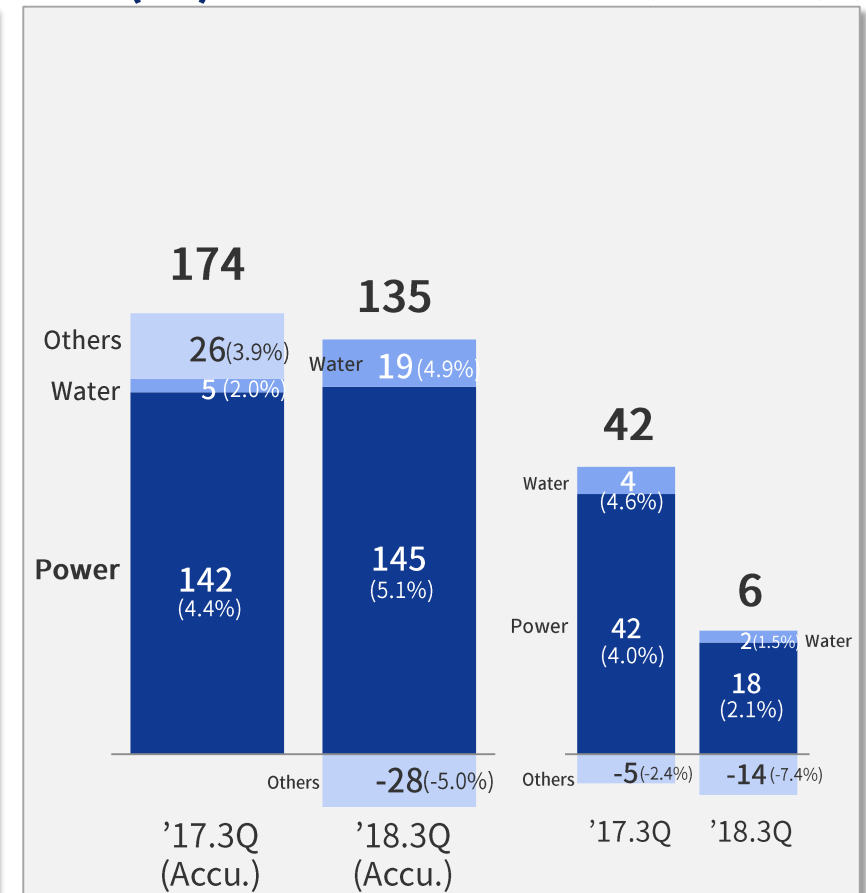
Sales decreased slightly YoY due to large-scale projects such as UAE nuclear power plant and Vietnam Song Hau project entered the final phase. OP and OP margin decreased in line with the decrease in sales.

Sales



OP(%)

(Unit : KRW B., %)

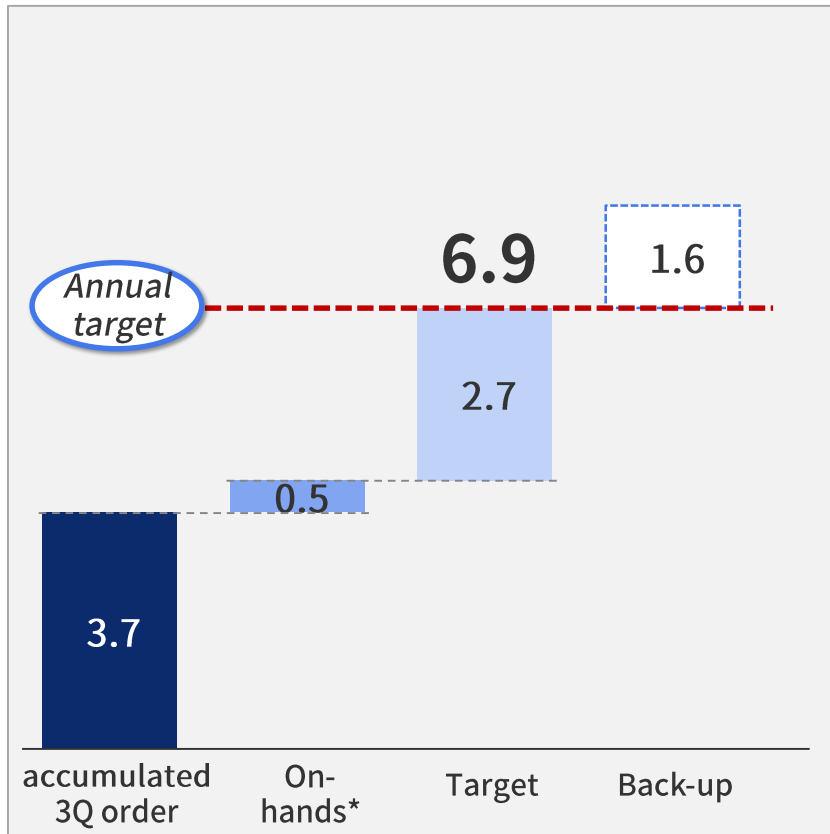


DHIC_Order Forecast

Cumulative orders to 3Q were KRW 3.7T, accounting for about 54% of the annual target, and efforts are being made to achieve annual order target.

Order Forecast

(Unit : KRW T.)



Accumulated 3Q orders were KRW 3.7T.

- Samcheok Pospower(domestic coal) 1,783B
- HanWul(domestic nuclear) Replacement of Reactor Vessel Head 128B
- Southwest Offshore Wind MSA** and others

Other projects are in progress

- Domestic civil/architecture
- Domestic/overseas fuel conversion projects
- Coal PP EPC(south-east Asia) etc.

* On-hands : projects with private contract or DHIC is sole bidder or lowest bidder

** Maintenance service agreement w/Korea Offshore Wind Power(KOWP)

DHIC New Order : Oman Sharqiyah IWP

The first step in expanding the business from EPC player to developer in seawater desalination business, through participation in minority equity investment. And also, looking forward additional revenue from plant operation.

Oman Sharqiyah IWP



PJT summary

- Off-taker : Oman Power & Water Procurement Company
- Sponsor : JGC¹(75%), UIDC²(20%), DHIC(5%)
- Site : Oman, 220km southeast from Muscat city
- Capacity / Type : 17.6 MIGD(80,000m³/d) / RO type
- DHIC Scope : EPC + Minor Equity(5%)

Total project cost : 230B KRW

Delivery : April 2021

- ✓ Expand the business scope from existing EPC player to Developer
- ✓ Looking forward additional revenue from plant operation in the future

¹ Japan Gasoline Corporation(JGC)

² United Infrastructure Development Company (UIDC), subsidiary of Oman Bahwan Group

※Track record (RO Type)

PJT	Capa.(Ton/day)	Type	Year
KSA Shuaibah Extension	150,000	RO	2007
Kuwait Shuwaikh	136,000	RO	2008
KSA Jeddah	240,000	RO	2008
Chile Escondida	220,000	RO	2013
Kuwait Doha phase #1	270,000	RO	2016
KSA Shuaibah	400,000	RO	2017
Oman Sharqiyah	80,000	RO	2018

DHIC New Order : Samcheok Pospower 1&2

Awarded domestic 1GW-sized coal IPP, since the Goseong Hai and Gangneung Anin project awarded in 2015. The first achievement not just supply major equipment, but also perform EPC and equity investment.

Samcheok Pospower 1&2



(Image reference : Google)

PJT summary

- Sponsor : Pospower(KIAMCO¹ 54.5% + POSCO Energy 31.5% + DHIC 9% + POSCO E&C 5%)
- Site : Jeokno-Dong, Samcheok-si, Gangwon-do
- Capacity/Type : 1,050MW X 2 / Ultra-supercritical
- DHIC Scope : Coal EPC(DHIC 51% + POSCO E&C 49% Consortium)

Total project cost : 3,500B KRW

Contract Amount : 1,783B KRW

Delivery : July 31, 2024

Secure 1GW sized coal-fired power plant EPC track record

➔ Accelerating entry into high-efficiency eco-friendly coal power overseas market



Doosan Heavy Industries & Construction

¹ KDB Infrastructure Investment Asset Management Co. Ltd. (KIAMCO)

Major achievements – after 2Q

Major achievements by items

Gas power

- Developing large-sized gas turbine : progress in on schedule
(to complete prototype production in 1H '19, and demonstration to start)

Renewables

- Selected as 'Best Achievement of National R&D 2018'¹ in the field of wind technology (Oct. 18)
 - Achieved more than 50% higher output than existing products through low wind speed model development
- Southwest offshore Phase 1 wind farm(3MWx20units)
 - Shipped 13 turbines and signed long-term maintenance contract
- Signed a MOU² to promote the offshore wind power project in Taean
- Signed a contract to supply ESS of SK Innovation's plant in Jeungpyeong

Nuclear

- Participated 'Nuclear energy roadshow in Saudi Arabia' held by KEPCO
- Signed an agreement to cooperate in nuclear export in Czech and Poland
 - selected as a partner of key equipment supply and construction
- APR1400, acquired a 'Standard design approvals' issued by US NRC
 - enhanced export competitiveness by being certified earlier than France, Japan
- Signed a MOU for Joint Venture³ for Hinkley C, UK

Coal Power/ desalination

- Winning orders of Oman Sharqiyah, Bahrain Bapco desalination plant
- Signed a MOU for construction of thermal power plant(Jawa 9&10, Indonesia)
- Winning orders of domestic coal IPP(Samcheok 1&2)

DHIC_Balanced Sheet

(Unit: KRW B., %)

Category	2017 end	2018 2Q	2018 3Q	Difference (QoQ)
Current Assets	4,221	4,618	4,709	+91
Cash & Cash Equivalent	929	631	786	+155
Non-Current Assets	10,511	10,074	9,813	-261
Total Assets	14,732	14,692	14,522	-170
Total Liabilities	8,750	9,196	9,074	-122
Net-Debt	4,301	5,323	4,871	-452
Total Equity	5,982	5,496	5,447	-49
Total Liabilities and Equity	14,732	14,692	14,522	-170
Total L/E Ratio	146.3%	167.3%	166.6%	-0.7%p

DHIC Parent_Summary

(Unit : KRW B., %)

Category	2017		2018		Difference(YoY)	
	3Q	3Q (Accu.)	3Q	3Q (Accu.)	3Q	Accu.
Sales	992	3,144	881	2,847	-111	-297
OP	55	199	5	143	-50	-56
OPM(%)	5.6%	6.3%	0.6%	5.0%	-5.0%p	-1.3%p
Non-OP	-48	-144	-24	4	+24	+148
Interest P/L	-36	-105	-49	-132	-13	-27
FX	-9	-10	-5	-36	4	-26
Others	-3	-29	30	172	33	201
Net P/L	7	35	-17	90	-24	+55

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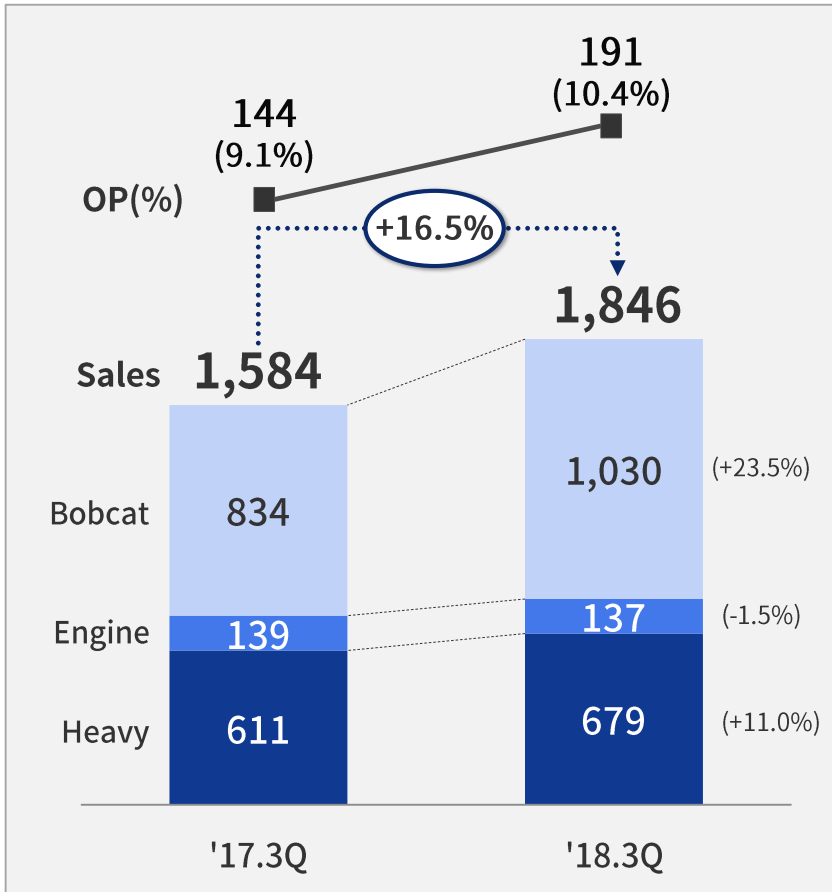
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Doosan Infracore

Sales and OP increased continuously backed by Heavy and Bobcat growth.
China excavator sales recorded double-digit growth despite the base effect.

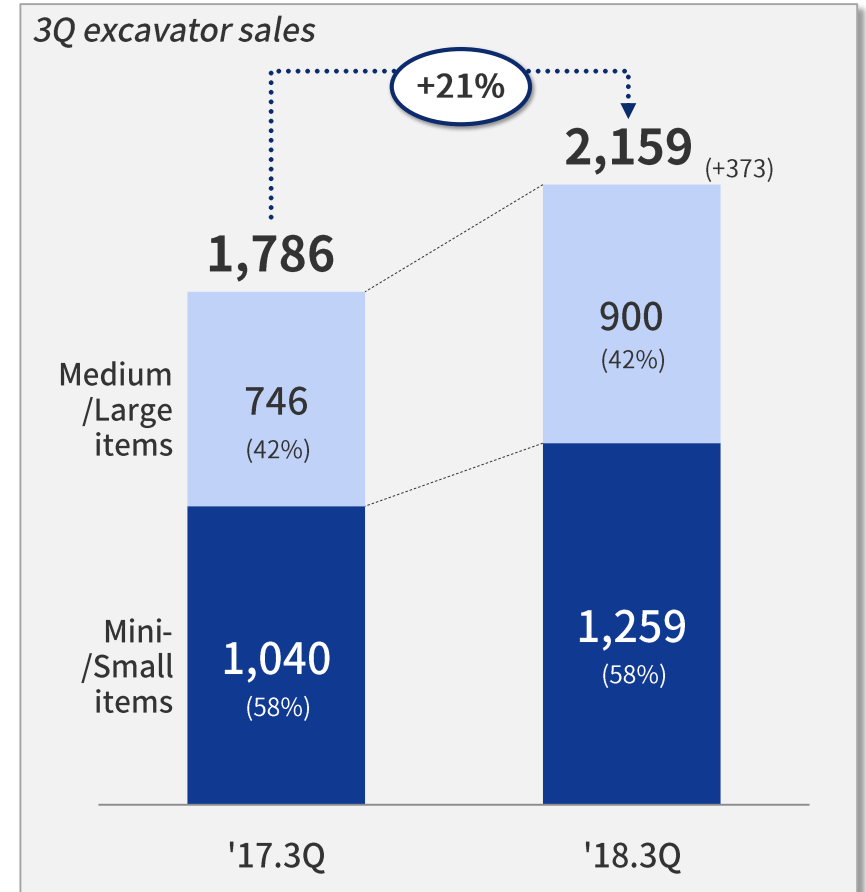
Sales/OP(%)

(Unit : KRW B., %)



Sales volume of China

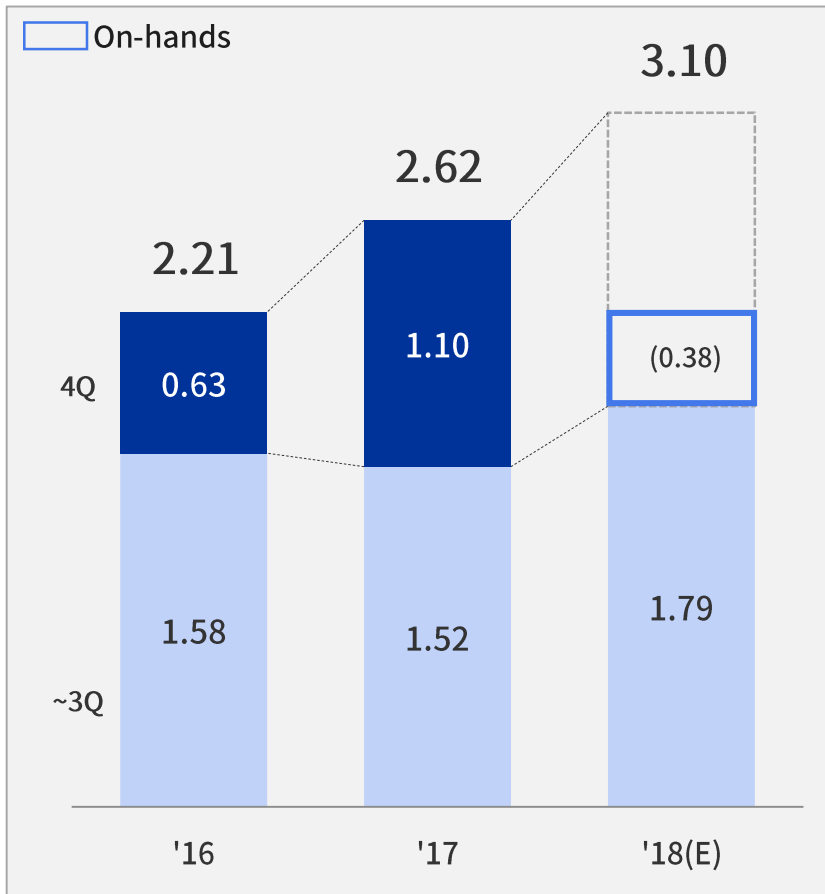
(Unit : ea.)



Secured 2.2T of orders including 0.4T of on-hands, and expect annual orders of more than 3.0T., which is the largest level in 10 years. Net debt is continuously decreasing.

Orders

(Unit: KRW T.)



Net Debt

(Unit: KRW T.)

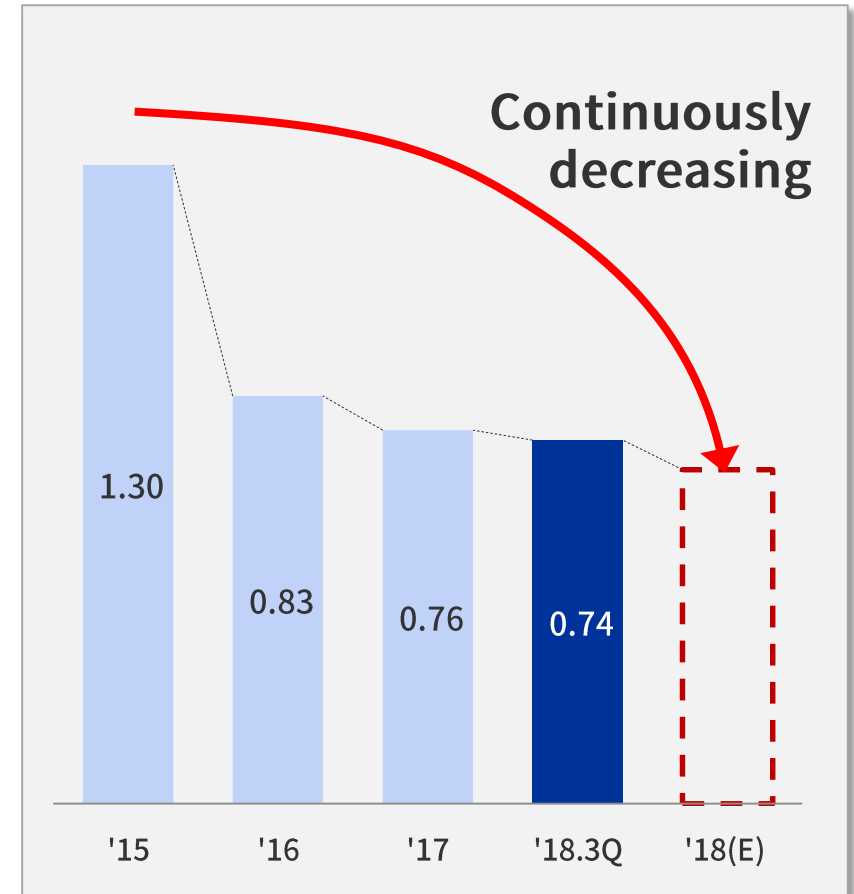


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Consolidated_Summary

Back-up

3Q cumulative sales and OP increased by 6% and 21% respectively, net profit improved significantly thanks to the turn-around in 3Q.

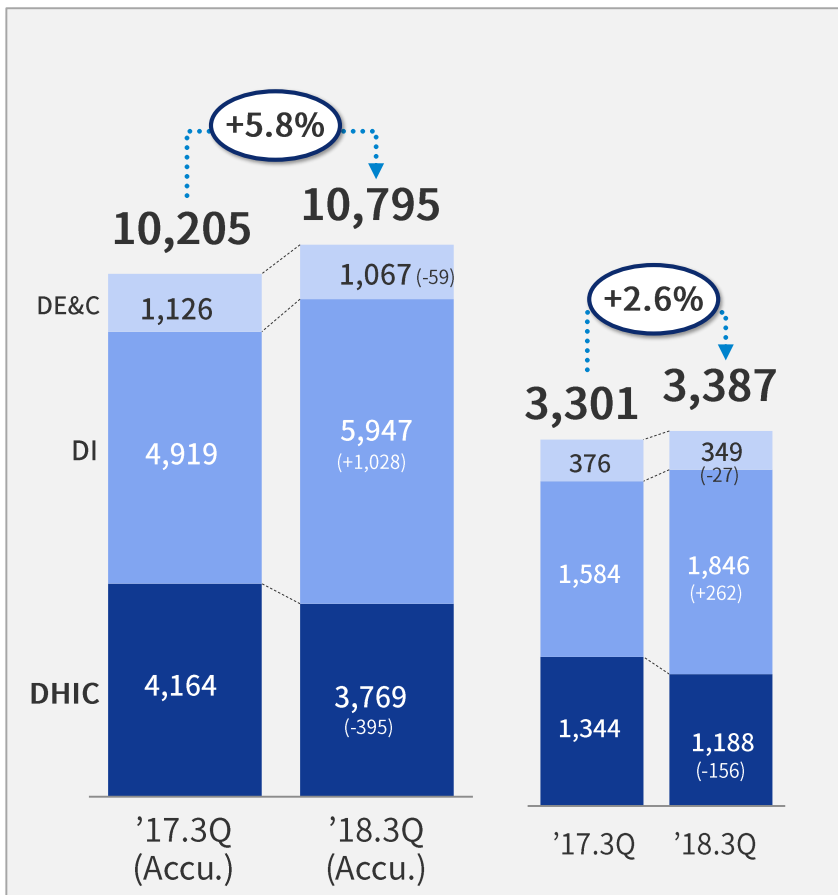
(Unit : KRW B., %)

Category	2017		2018		Difference(YoY)	
	3Q	3Q (Accu.)	3Q	3Q (Accu.)	3Q	Accu.
Sales	3,301	10,205	3,387	10,795	+86	+590
OP	194	726	212	878	+18	+152
OPM(%)	5.9%	7.1%	6.2%	8.1%	+0.3%p	+1.0%p
EBITDA	321	1,096	336	1,258	+15	+162
Non-OP	-128	-483	-112	-486	+16	-3
Interest P/L	-109	-321	-117	-353	-8	-32
FX	-14	15	-8	-38	+6	-53
Others	-5	-178	13	-94	+18	+84
P/L before income tax	66	243	100	393	+34	+150
Tax P/L	49	206	44	186	-5	-20
P/L from discontinued operation	-27	-36	-10	-85	+17	-49
Net P/L	-10	1	46	121	+56	+120

Sales increased backed by Infracore's sound growth, accordingly cumulative OP margin improved by 100bps.

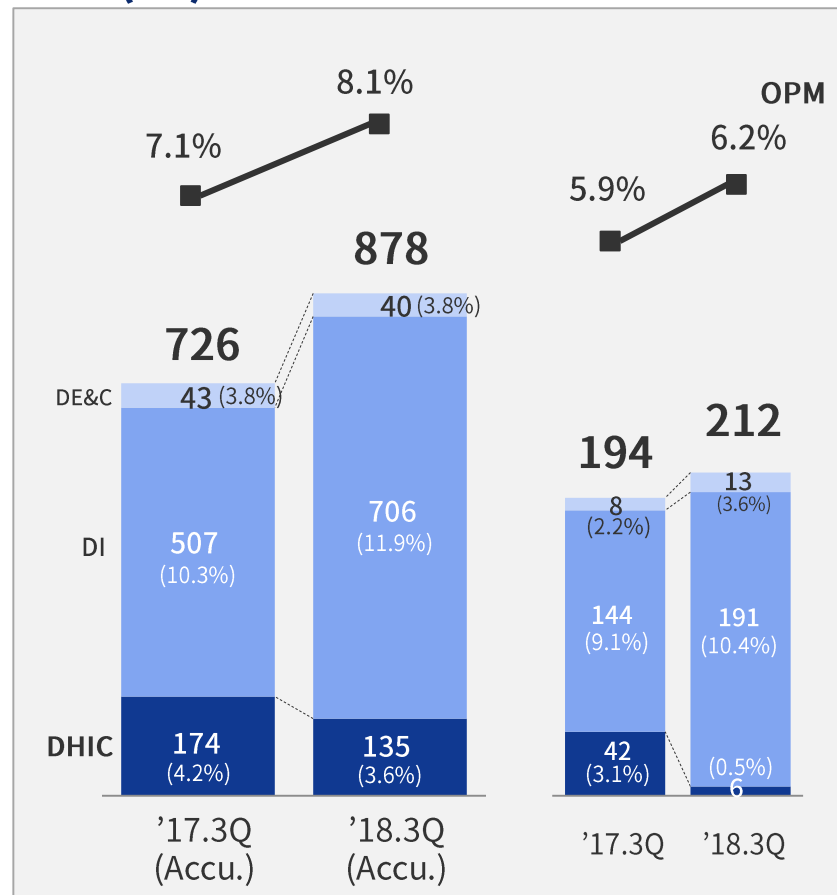
Sales

(Unit : KRW B., %)



OP(%)

(Unit : KRW B., %)



(Unit : KRW B., %)

Category	2017 end	2018 2Q	2018 3Q	Difference (QoQ)
Current Assets	9,230	9,982	10,066	+84
Cash & Cash Equivalent	2,239	1,932	2,301	+369
Non-Current Assets	15,732	15,302	15,369	+67
Total Assets	24,962	25,283	25,436	+153
Total Liabilities	18,396	18,759	18,569	-190
Net-Debt	9,007	9,895	9,141	-754
Total Equity	6,566	6,524	6,867	+343
Total Liabilities and Equity	24,962	25,283	25,436	+153
Total L/E ratio	280.2%	287.6%	270.4%	-17.2%p



Q&A