



Doosan Corporation Quarterly Business Review 4Q 2014

2015. 2. 5



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Financial data in this presentation is on a IFRS consolidated and IFRS parent basis.

I. 2014 Results

II. 2015 Key Highlights

III. In-house Business Results & Outlook

IV. Subsidiaries Results & Outlook

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2014 Business Results (Consolidated)

- '14 consolidated results decreased YoY, due to one-off cost from subsidiaries
- In-house sales and OP grew YoY, thanks to stable earnings contribution from existing divisions and impact from the acquisition of Industrial Vehicle division

(Unit : KRW bn, %)

	'13	'14	YoY
Sales	21,616	20,468	-5.3%
▪ In-house	1,430	1,709	+19.5%
▪ Subsidiaries	20,187	18,760	-7.1%
OP (%)	1,135 (5.3%)	1,008 (4.9%)	-11.2% (-0.4%P)
▪ In-house	109	110	+1.6%
▪ Subsidiaries	1,027	898	-12.5%

2014 Business Results (Parent)

- 2014 parent sales and OP grew remarkably from solid performance of in-house businesses and increase of dividend income from subsidiaries

(Unit : KRW bn, %)

	'13	'14	YoY
Sales	1,652	1,995	+20.8%
OP (%)	195 (11.8%)	256 (12.9%)	+31.2% (+1.1%P)
▪ In-house	109	110	+1.6%
▪ Dividend income, etc.*	87	146	+68.4%

* Dividend income, internal adjustment, and others

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Key Highlights in 2015

1

All in-house businesses to deliver better growth and profitability

- E-Ms : Improve product mix and diversify client base
- IV : Continue to increase sales in both domestic and export markets
- Fuel cell : Commence full-fledged marketing activities to receive new orders
- Mottrol : Generate steady income thanks to better business environment and enhanced cost structure via restructuring efforts from last year

2

1Q in-house business condition should remain favorable

- 1Q earnings to improve backed by 1) sales improvement in E-Ms thanks to early new product launch by major clients, 2) solid performance of Industrial Vehicle in line with sales increase in North America, 3) full-fledged marketing effort in Fuel Cell

3

Strong growth expected in Fuel Cell division during 2015

- Target order of KRW 400 bn in 2015, and more than KRW 1.4 tr in 2019 triggered by stronger product line-up and improved cost competitiveness

Key Highlights in 2015

4

To improve shareholders' value via dividend/treasury share policy

- Dividends : Continue shareholder friendly policy
- Treasury Shares : Purchased KRW 60 bn of shares in 2014, and currently purchasing additional KRW 30 bn of shares in 2015

5

Additional cash inflow expected from disposal of non-core businesses

- Completed disposal of KFC and Doosan Donga in 2014
- Additional disposal of non-core assets are expected in the future
- Cash will be used for shareholder-friendly policy or retained

6

Solid growth expected in 2015 as Doosan affiliates improved financial soundness and completed operational restructuring by 2014

- DHI : Expect firm order growth
- DI : Earnings growth via stable growth of Bobcat/turnaround of Engine division
- E&C : Solid performance based on divisional earnings improvement and ICR>1
- DE : Strong order momentum in 2015

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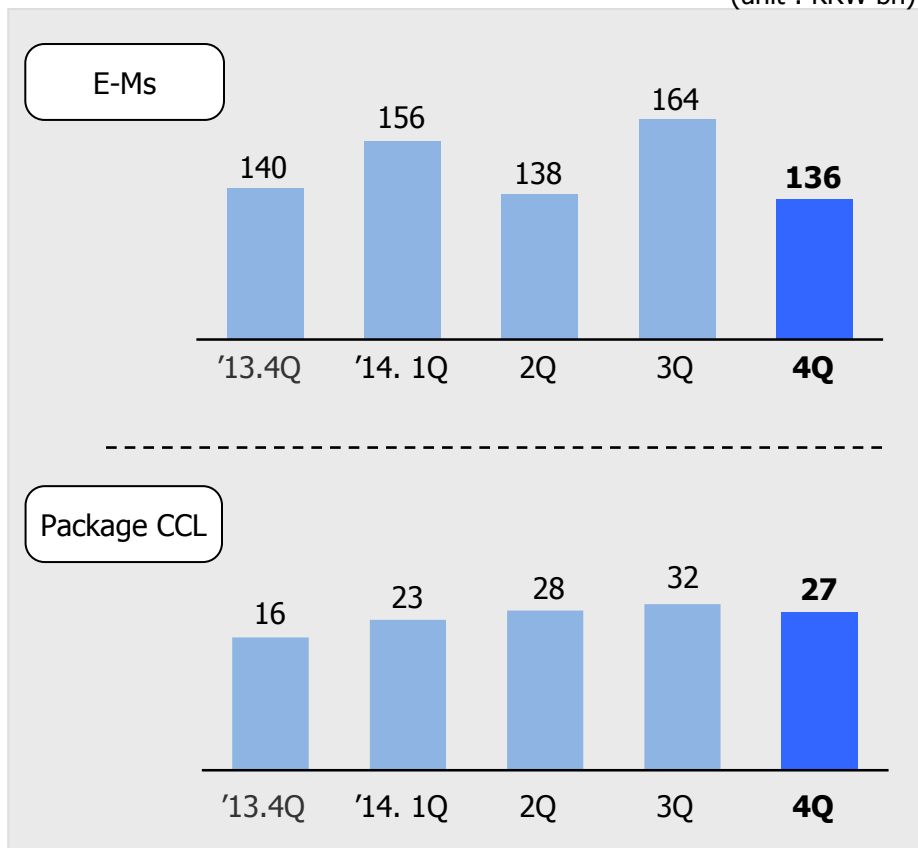
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E-Ms — 4Q Results (Parent)

- Despite the sales decrease in 4Q, both OP and OPM grew YoY thanks to product mix improvement
- Continued to expand sales of high-end products such as Package CCL to secure future growth driver
- December sales increased 12% MoM and 2% YoY from early release of new smartphone of a major client

4Q Quarterly sales of E-Ms and Package CCL

(unit : KRW bn)



2014 Highlights

1

Secured New Growth Driver

- Acquired a copper foil manufacturer for high-end CCL and Lithium Ion Battery
 - Secured new growth momentum and reduced cost
- Expanded line-up to Coverlay and automobile CCL

2

Expanded Client Base

- Expanded overseas accounts by enhancing sales network
- Strengthened local SET Top-down marketing in China
- Co-worked with local agencies and dealers

3

Cost Structure Innovation

- Enhanced product quality by upgrading the production platform and improving the production process
- Improved profitability through local sourcing and cost reduction effort

E-Ms – '15 Outlook & Strategy

'15 Key Strategy

Continuing Growth

- Overseas M/S expansion of high-end CCL¹⁾
 - FCCL : Maintain M/S of flagship models, expand M/S in overseas markets
 - PKG : Concentrate on non-memory semiconductor market
 - Overseas : Improve product mix and diversify sale channel

Improving Profitability

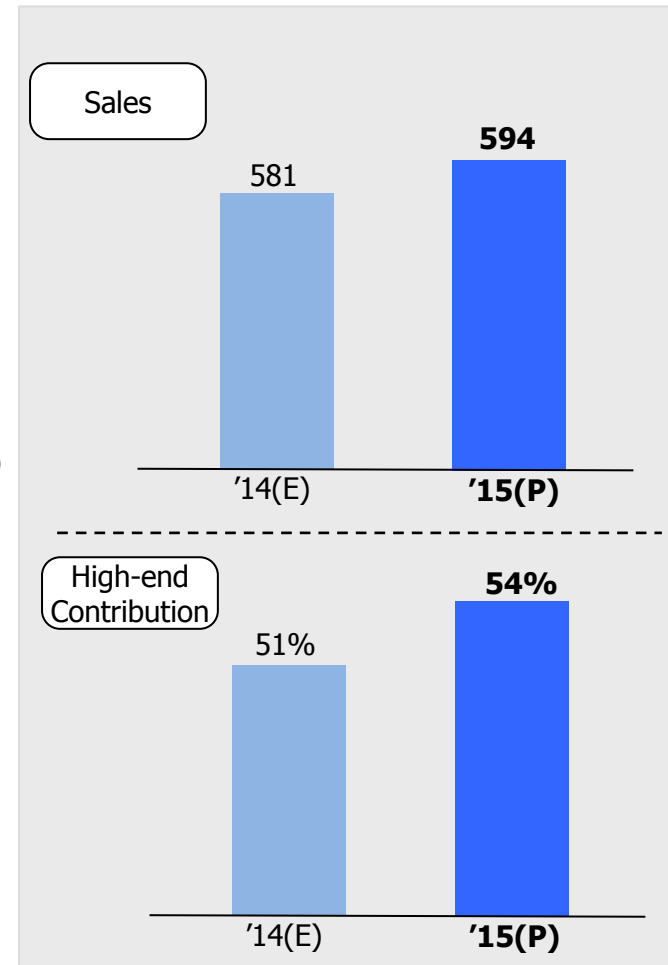
- Flat YoY sales, while OP to increase from improved product mix
 - High-end CCL contribution : 51% in '14 → 54% in '15
- Reduce cost via local sourcing
 - Enhanced production efficiency in domestic/overseas plants

Growth Driver

- Expand line-up to related area
 - Automobile CCL and Mobile Film
- Enter new areas via developing core technology
 - Expand to new areas such as automobile, energy and infrastructure

'15 Outlook

(unit : KRW bn)

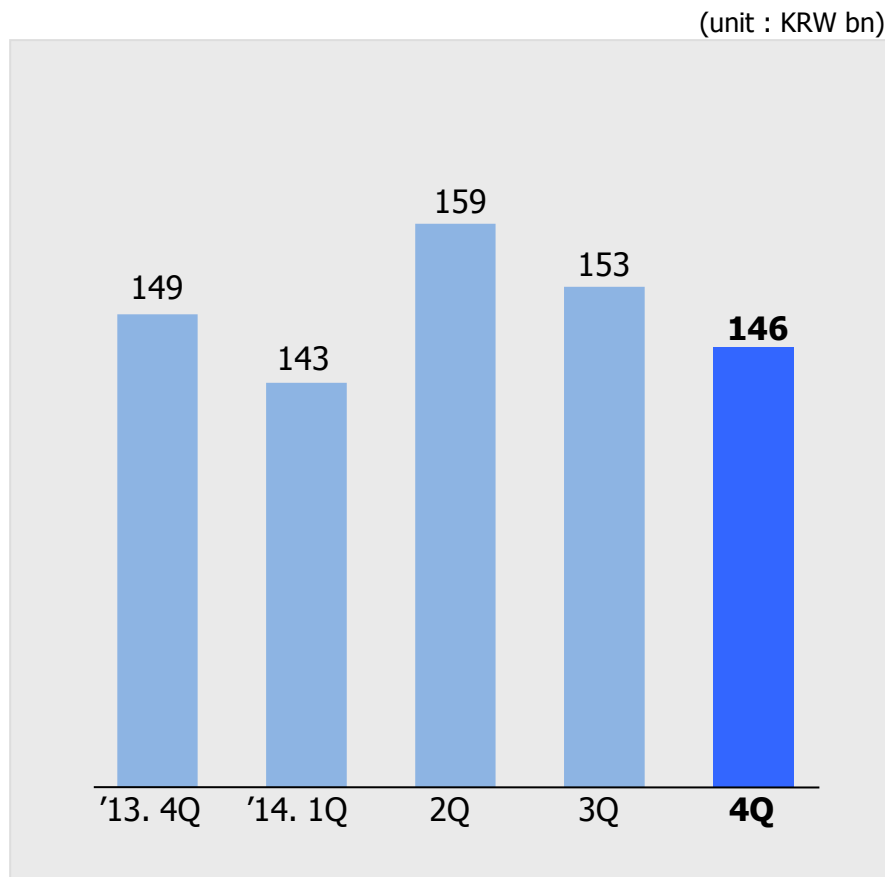


¹⁾ FCCL, PKG CCL, Network Board CCL

Industrial Vehicle — 4Q Results (Parent)

- 4Q sales slightly decreased due to seasonality, however, sales for the full year grew YoY thanks to increasing sales in both domestic and overseas markets

Quarterly Sales Trends



4Q Results

1

Strengthened Domestic Leadership

- Maintained No. 1 position in domestic market with stronger dealer capability and sales network
- Secured new growth driver
 - Prepared to launch Tier 4 model and expanded line-up
 - Increased sales of environmentally friendly parts
- Continued to receive large sized fleet orders

2

Enhanced Overseas Market Position

- Official dealer meeting for Central/South American dealers
- Strengthened marketing in Europe with activities such as Tier-4 launching ceremony in UK
- Received fleet orders from both developed and emerging markets
 - US, UK, South Africa and others

Industrial Vehicle — '15 Outlook & Strategy

- Expand growth momentum by developing new products, expand market presence in overseas as well as domestic markets

'15 Key Strategy

Growth

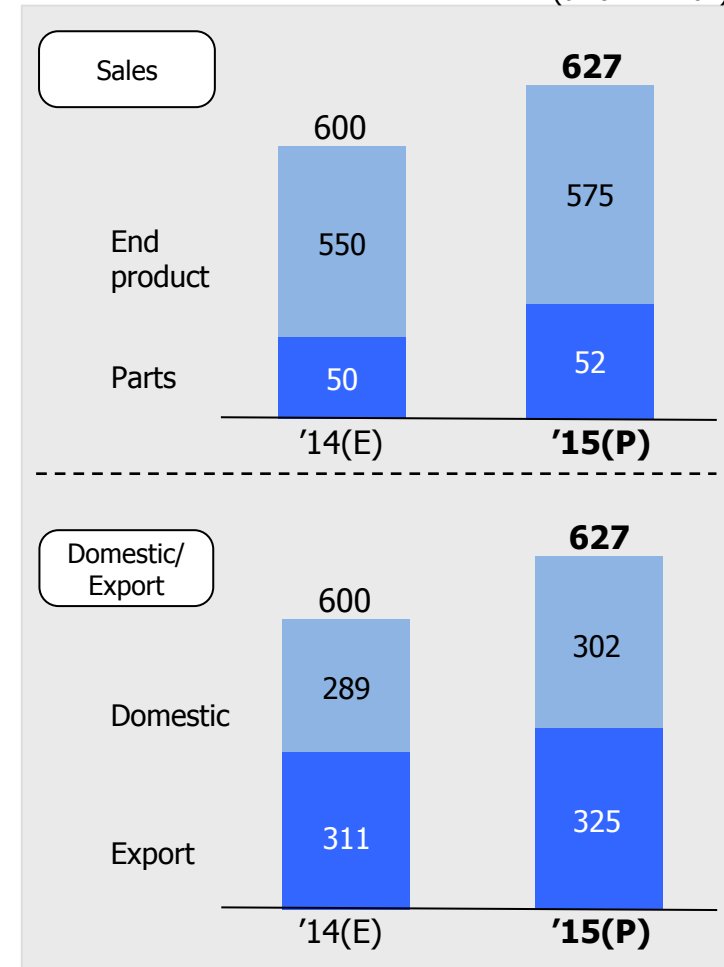
- Launch new models to strengthen product positioning
 - Launch full line-up of Tier 4 products and electric models for Europe
- Enhance dealer network in overseas market
 - Secure exclusive dealers in developed markets and secure new dealers in Asia
- Search for acquisition opportunities of overseas dealers to speed up growth

Strategy

- Accelerate growth in UK
 - Search for inorganic growth opportunities
- Strengthen market share in US
 - Expand business opportunity by acquiring/securing company-owned dealer network
- Seek new business opportunities to grow business in domestic market

'15 Outlook

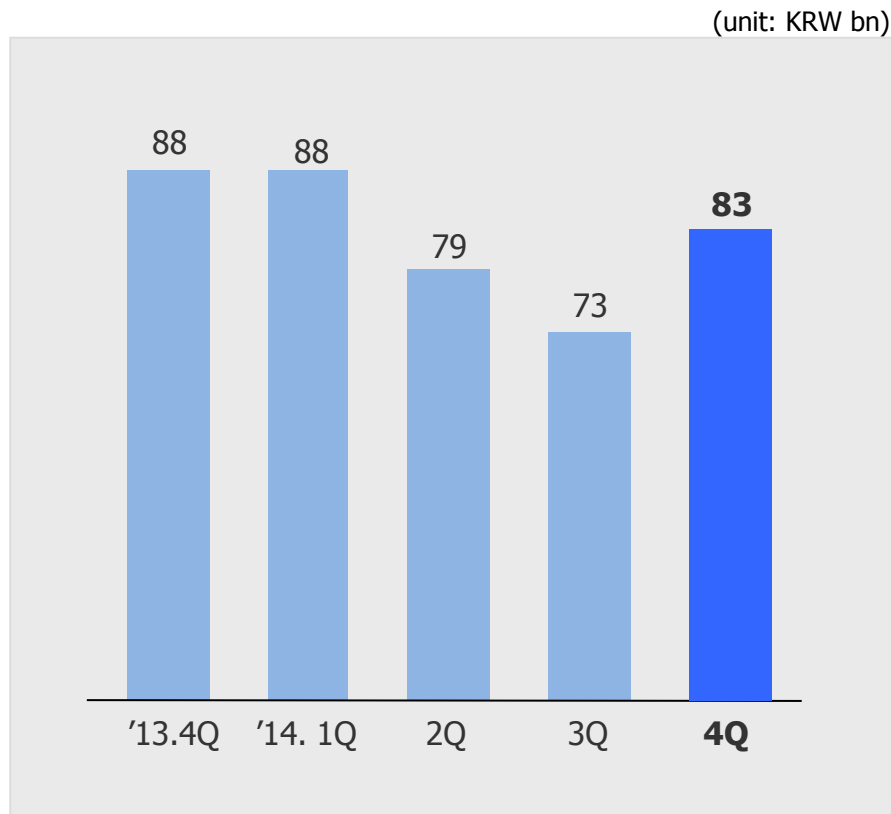
(unit: KRW bn)



Mottrol – 4Q Results (Parent)

- 4Q sales increased QoQ due to growing sales to defense business and Chinese as well as advanced companies
 - OP grew YoY from KRW 2bn (KRW 0.7 bn → KRW 1.6 bn)

Quarterly Sales Trends



4Q Results

1

Diversified product and client base

- Supplied new types of travelling/swing/pump to Chinese local clients
 - Expanded M/S by launching new products
- Increased sales to advanced companies
 - Supplied pilot model(travelling device) to advanced maker

2

Improved profitability

- Local sourcing in China to save costs
- Improved production efficiency and reduced manufacturing cost in domestic plant
 - Integration of painting, internalized logistic, packaging and parts producing process

Mottrol – '15 Outlook & Strategy

- Focus on maintaining business competitiveness despite sluggish market conditions by new product launches, client diversification, quality improvement and cost reduction

'15 Key Strategy

Product

- Expand product line-up and set-base sales
- Normalize MCV production by cooperating with DI
- Maximize growth with defense/marine orders

Quality

- Improve quality of outsourcing part suppliers
- Achieve the highest standard of QMS 3.50 level
- Strengthen client relationship

Cost

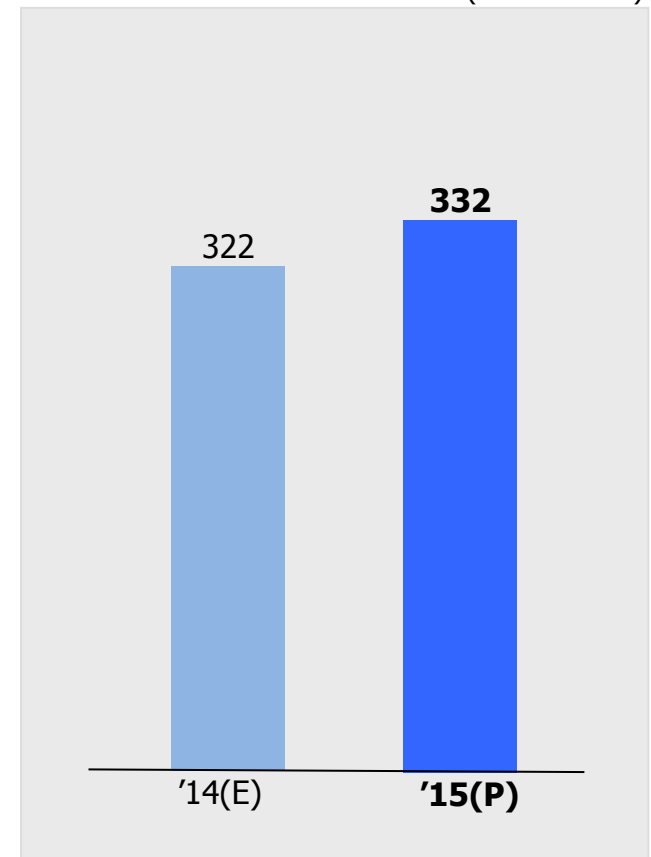
- Reduce cost by Chinese local sourcing
- Strengthen manufacturing competitiveness by MES*
- Improve purchasing/manufacturing process

Growth

- Review possibility of 1) partnership with advanced part suppliers and 2) entering non-excavator business

'15 Outlook

(unit: KRW bn)



* MES(Manufacturing Execution System)

Fuel Cell – 4Q Results

Summary

Secure Order Pipeline

Established sales network with domestic power producers

Enhanced marketing toward companies in US located in government incentive states

Firm Investment Plan

Reviewed capacity expansion opportunities to meet demands in domestic/US markets

Solidified concept for innovative low cost model

Normalizing Operation

Restarted production/SCM

Normalized service system

Performance

- Identified market size of 500MW by '16
- Secured power producers willing to switch over to fuel cell
- Prepared MOU with power producer/EPC for fleet orders

- Identified market size of 90MW in by '16
- Identified earlier-than-expected global market growth potential

- Decided to expand global capacity to above 100MW
- Established plan to develop model with 50% less cost

- Commenced insourcing key parts and concluded contract with major clients
- Normalized operation of domestic power generator

“In 4Q14, Fuel Cell set Capex and R&D plan to receive orders in the near term future and focused on normalizing production operation”

Fuel Cell – '15 Outlook

Initiative

Expand Line-up

- **Strengthen product line up to enter non-incentive market in US**
 - Develop high efficiency/low cost products

Reduce Cost

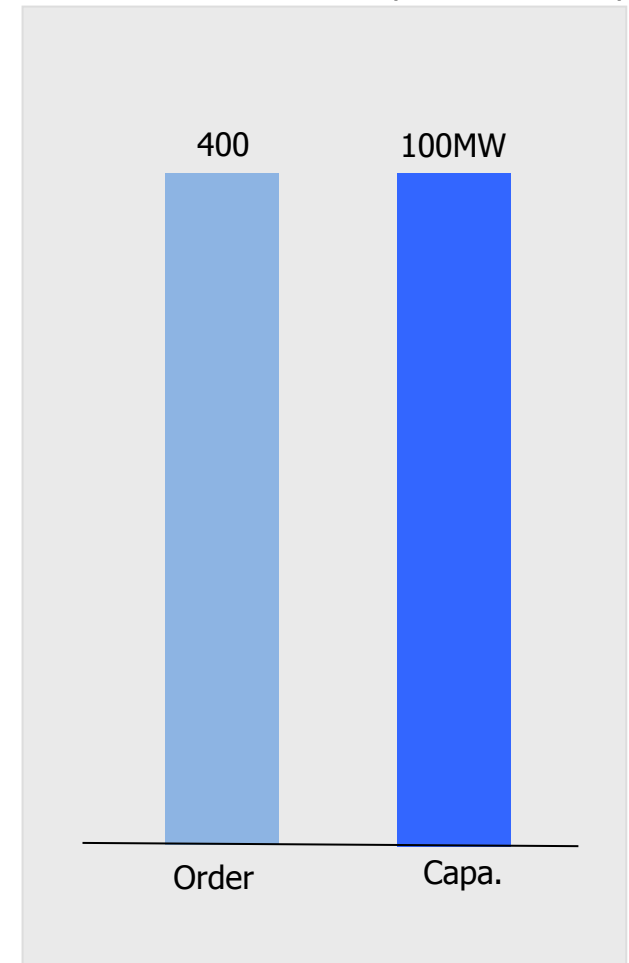
- **Reduce cost of current model(400Kw)**
 - Sustain market leadership in domestic regulatory market
 - Enhance market position in incentive market in the US

Build Sales & Production System

- **Strengthen marketing system by region**
 - Set sales/marketing strategy and strengthen network in US and Korea
- **Establish global production system**
 - Build additional lines in domestic plant and optimize US plant
 - Launch 600W pilot model

Outlook

(unit: KRW bn, MW)



Fuel Cell — Mid-long term Strategy

Vision

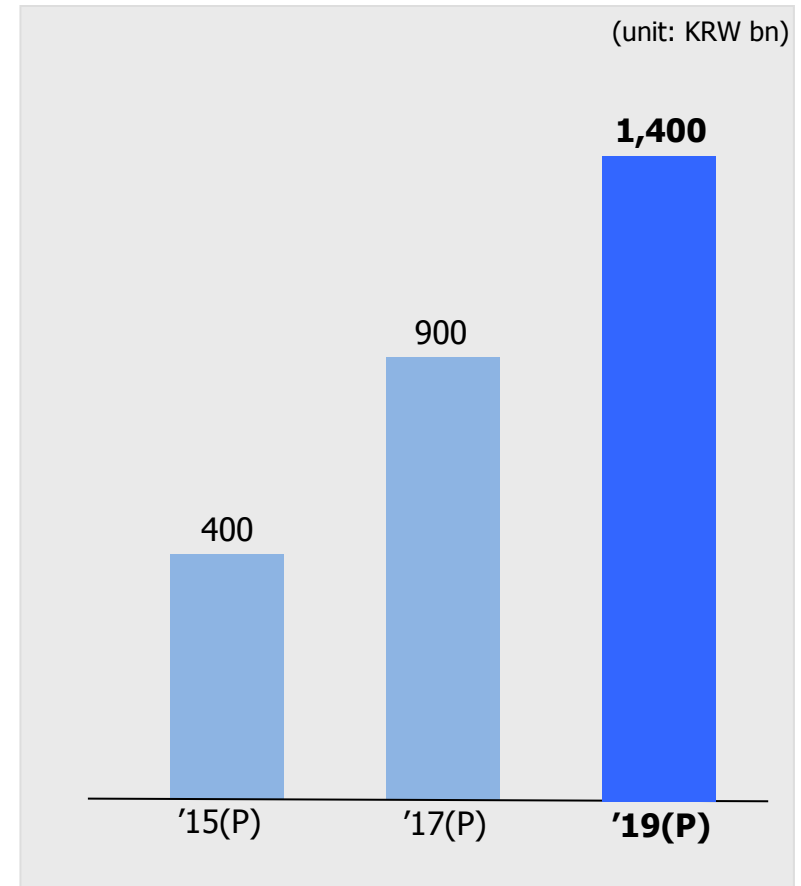
“Global #1 player in fuel cell for power generation/building/housing”

- 50% M/S in US and Korea by '19
- KRW 1.2 tn in sales and 20% OPM by '19

Mid/Long-term Initiative

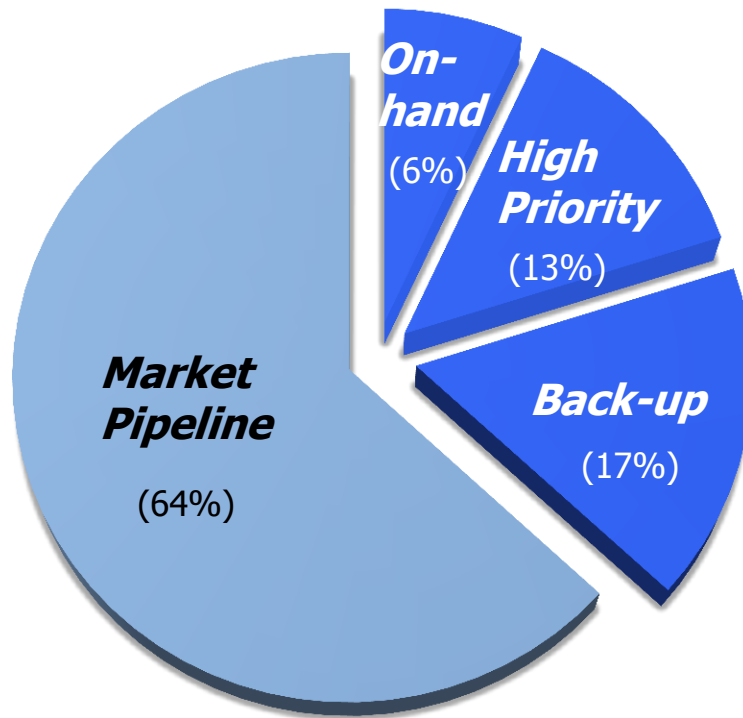
- 1 Cost competitiveness of M400 to expand market opportunity
- 2 Improve technology through extension of product life time
- 3 Expand product line-up to enter new markets
- 4 Establish system to improve marketing and production
- 5 Build global production and SCM system

Order Target



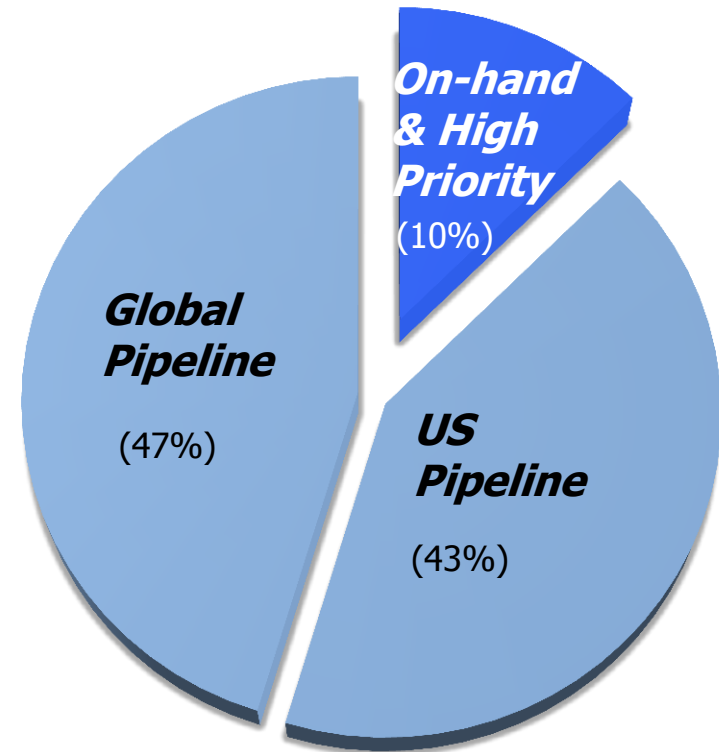
Fuel Cell — Order Pipeline ('15 ~'16)

[Domestic]



- Targeting 180MW of new orders within domestic order pipeline of 500MW

[Overseas]



- Targeting 8.8MW of new orders within global order pipeline of 85.2MW

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Subsidiaries — Doosan Heavy Industries

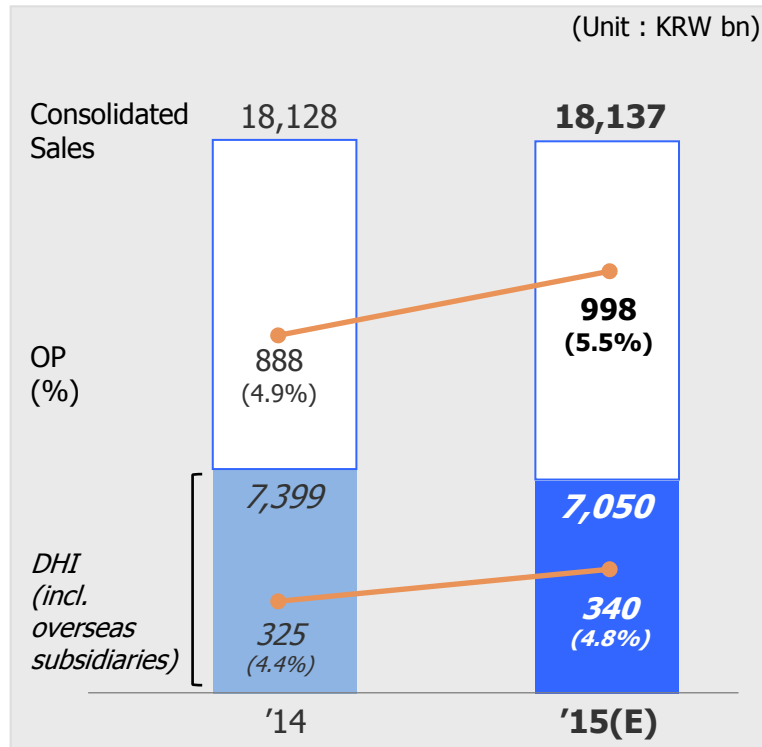
'14

- Order increased over 30% YoY to KRW 7.8tn backed by Shin-Gori #5,6 and Vietnam EPC
- Sales and OP decreased due to sales decline and one-off cost

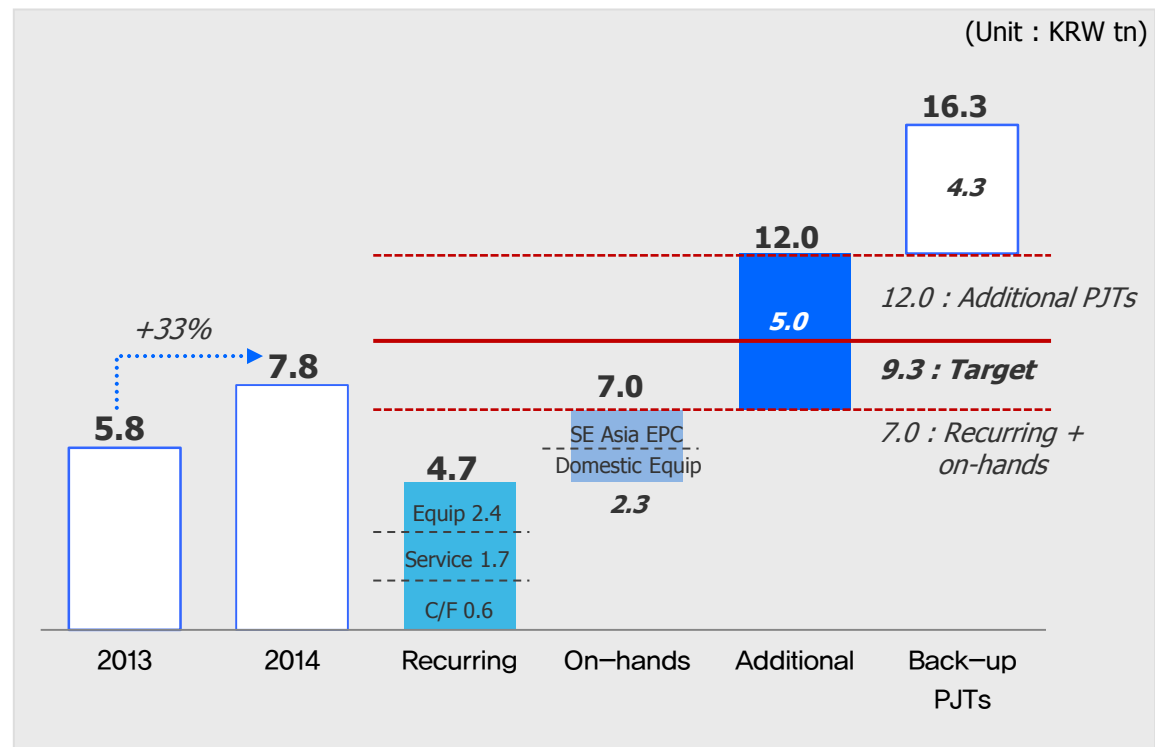
'15

- New order of at least KRW 7 tr has strong visibility with recurring and on-hand projects.
- Sales should remain flat YoY, while OP to increase over 10% backed by profit-oriented management.

'14 Results — '15 Outlook



'13-'15 Order Target



Subsidiaries — Doosan Infracore

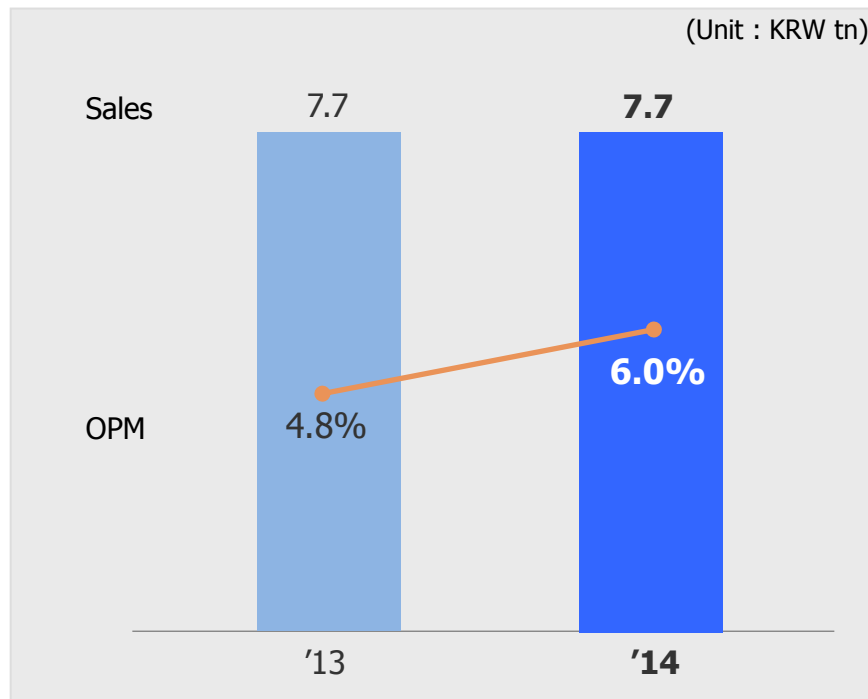
'14

- Sales was maintained at '13 level thanks to favorable performance of DIBH
- OP improved on the back of 1) continued growth at DIBH, 2) turnaround of engine division, 3) restructuring activities in all divisions

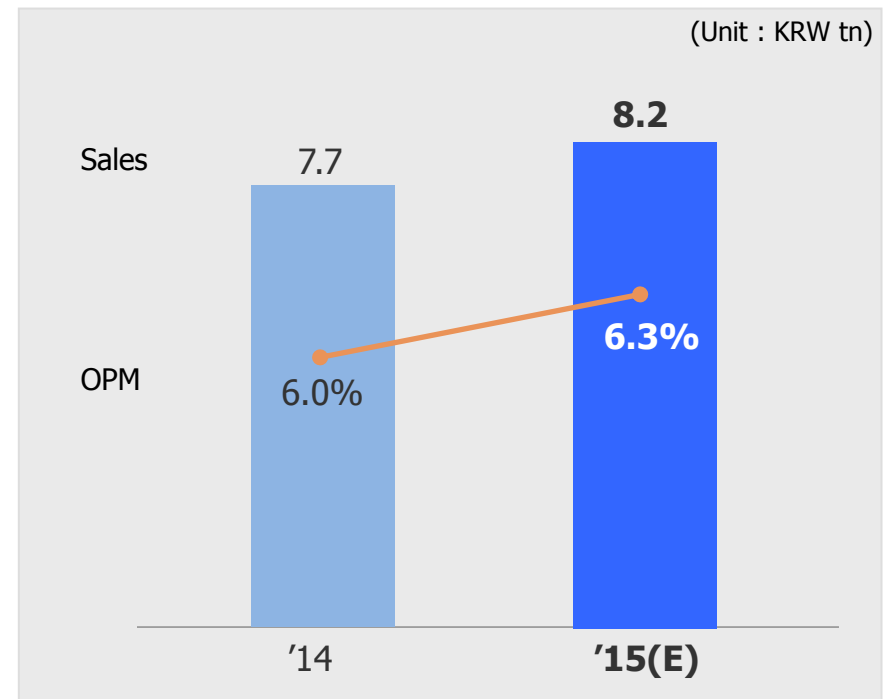
'15

- Sales to increase 6.1% YoY to KRW 8.2 tn primarily due to economic recovery in US
- OP to grow 13.5% to KRW 514 bn YoY thanks to 1) sales growth/profitability enhancing activities and 2) growing earning contribution from the engine division

'14 Results



'15 Outlook



Subsidiaries — Doosan Engine

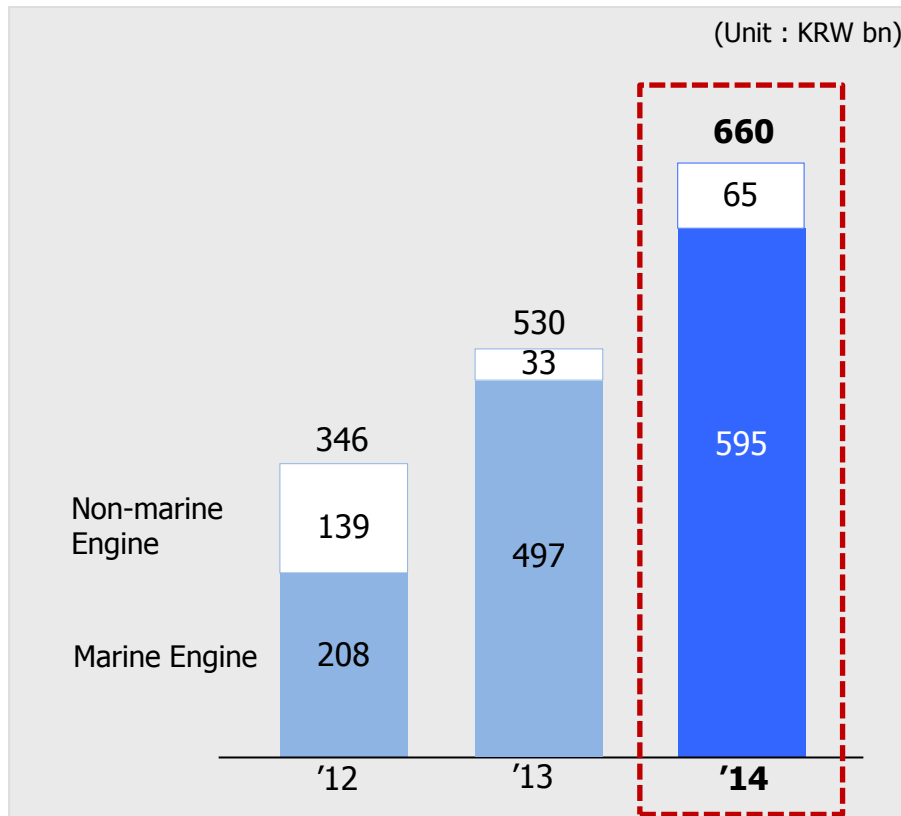
'14

- Achieved new order of KRW 660 bn in '14 thanks to M/S recovery

'15

- Expect remarkable growth of new engine orders for LNG and containership in '15

Order Trend



Business outlook in '15

1

More Opportunities for LNG Carrier Engine

- Demand for DF* engine to grow with increasing size of LNG carrier
- Order to increase since Doosan Engine holds license for ME-GI** and X-DF***

2

Order growth from large size containership

- Growing competition between container shipping companies (M/S expansion via economies of scale)
- More than 30 containerships with 20K TEU orders are expected (USD 4.5 bn)

* DF Engine (Dual-fuel) : Hybrid engine

** ME-GI (MAN Electric-driven Gas Injection) : DF engine from MAN

*** X-DF : DF engine from Wartsila

Subsidiaries — Doosan E&C

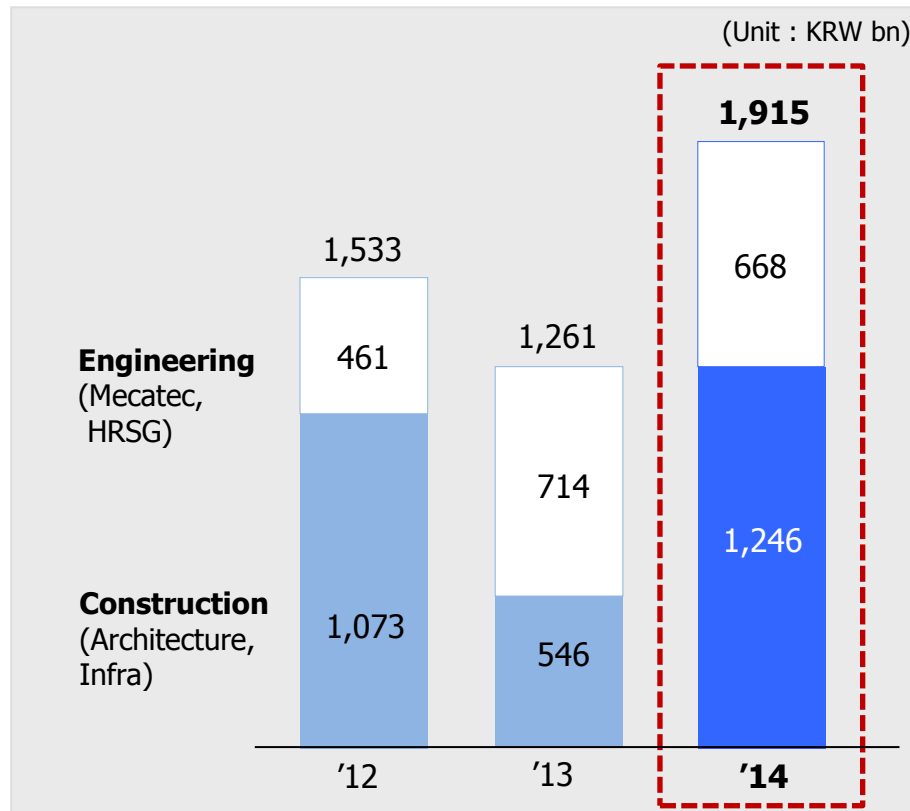
'14

- New orders surged to KRW 1.9 tn, up 52% YoY, thank to KRW 600 bn in orders from redevelopment /civil engineering projects

'15

- To focus on profitable PFI* civil projects and urban renewal projects backed by government policy to stimulate investment

Order Trend



'15 Business Strategy

1

Architecture & Infra Division

- Architecture : Selectively receive urban renewal project orders based on profitability
- Infra : Focus on profitable public works and PFI civil projects

2

Mecatec & HRSG Division

- Mecatec : 1) Strengthen production technology for high-end products, 2) Improve efficiency in VINA site
- HRSG : 1) Enhance price competitiveness by improving design, 2) regional diversification by entering new markets such as North America, South America and Japan

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Financial Summary

Financial Summary

(unit: KRW bn)

Parent		
	'14. 3Q	'14. 4Q
Current Assets	737	640
Non-Current Assets	2,801	2,870
Total Assets	3,537	3,510
Current Liabilities	763	743
Non-Current Liabilities	692	656
Total Liabilities	1,455	1,399
Paid-in Capital	135	135
Total Equity	2,082	2,111
L/E Ratio	70%	66%

(unit: KRW bn)

Consolidated		
	'14. 3Q	'14. 4Q
Current Assets	13,507	12,277
Non-Current Assets	18,733	19,092
Total Assets	32,240	31,369
Current Liabilities	13,326	12,648
Non-Current Liabilities	10,058	9,819
Total Liabilities	23,384	22,467
Paid-in Capital	3,037	2,889
Total Equity	8,857	8,902
L/E Ratio	264%	252%

Debt

(unit: KRW bn)

Parent		
	'14. 3Q	'14. 4Q
Bank	349	348
Corp. Bonds	530	480
Others	53	53
Debt	932	881
Cash	106	102
Net Debt	825	779
Net D/E Ratio	40%	37%