



Doosan Engine

Investor Relations 2Q13 Operating Results



August 2013
Doosan Engine

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Disclaimer

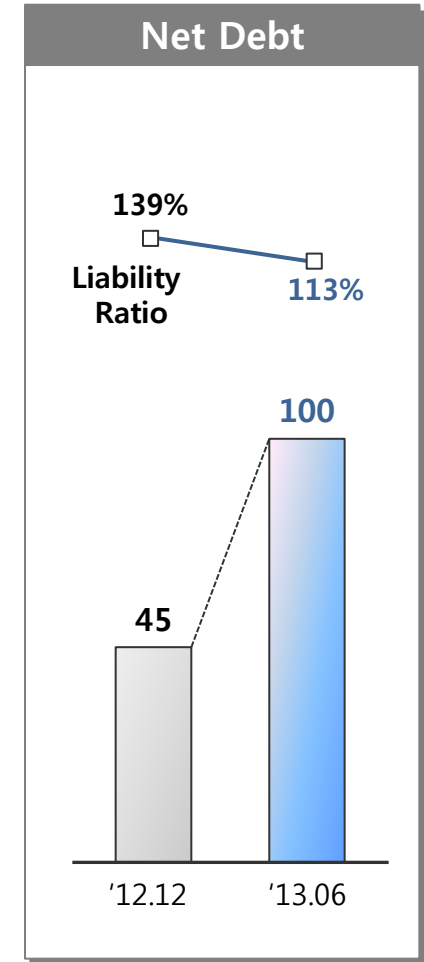
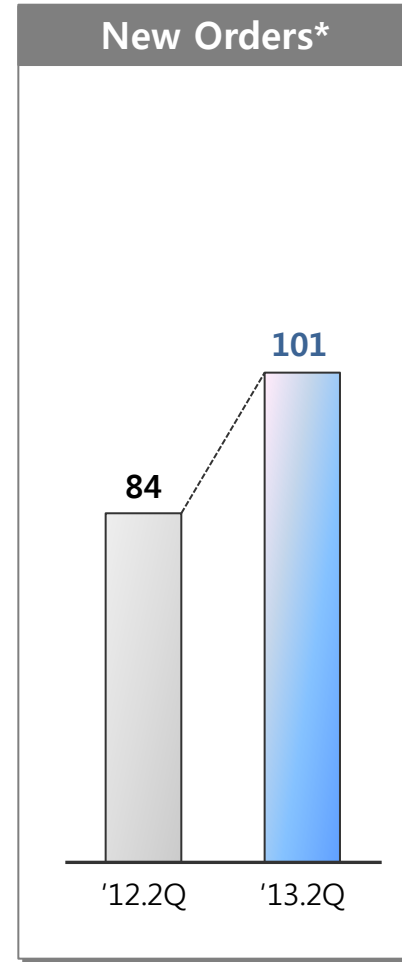
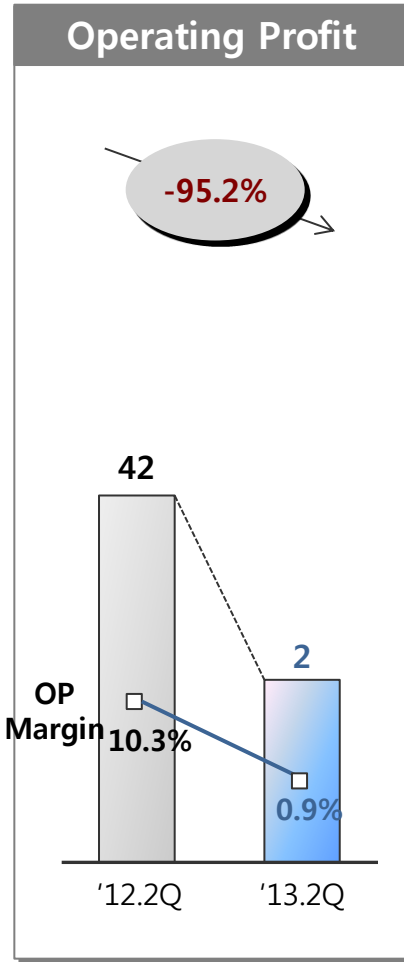
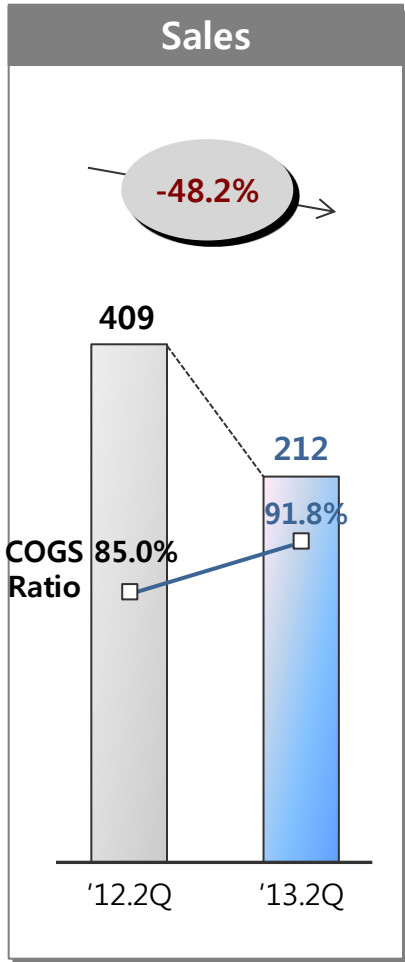
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2Q13 Operating Results Summary

(Wbn)



* New Orders : Based on receiving advance receipts

2Q Income Statement

✓ Sales W212bn, Operating Profit W2bn(OPM 0.9%)

(Wbn)

	'13.2Q	'12.2Q	YoY	'13.1Q	QoQ
Sales	212 ¹	409	-48.2%	214	-0.9%
COGS ratio(%)	(91.8%)	(85.0%)	(+6.8%p)	(91.9%)	(-0.1%p)
Gross Profit	17	61	-72.1%	17	0.0%
SG&A	15	19		11	
Operating Profit	2 ²	42	-95.2%	6	-66.7%
OP Margin(%)	(0.9%)	(10.3%)	(-9.4%p)	(2.8%)	(-1.9%p)
Other gain & loss*	0.8	2		-2	
Financial income & expense	-1.8 ³	3		0.8	
Equity Method gain & loss	0.2 ⁴	24		-6	
Pretax Profit	1.1	71	-98.5%	-1	TB
Tax	0.1	13		0.9	
Net Profit	1	58	-98.3%	-2.1	TB

- Other gain & loss are classified as non-operating profit and loss according to the new business accounting standard

'13.2Q Main Points

1 Sales -48.2% YoY

- Decrease in deliveries

2 Operating Margin 0.9% (-9.4%p YoY)

- Deteriorated Product Mix
- COGS ratio ('12.2Q: 85.0% → '13.2Q: 91.8%)

3 Financial Income/Expense -W1.8bn

- Interest Income & Expense -W1.1bn
- FX Translation Gain & Loss -W3.2bn
- Forward Hedging Gain & Loss +W2.2bn

4 Equity Method Gain/Loss +W0.2bn

- Equity Method Gain +W4.6bn
- Equity Method Loss -W4.4bn

Balance Sheet

✓ Net Debt W100bn, Liability Ratio 113%

(Wbn)

	'12.12	'13.06	+/-
Current assets	641	491	① -150
Non-current assets	1,145	1,149	+4
Total assets	1,786	1,640	-146
Current Liabilities	718	592	-126
Advance receipts	393	340	-53
Non-current liabilities	320	280	-40
Total liabilities	1,038	873	② -165
Paid in capital	69.5	69.5	0
Capital Surplus	367	367	0
Retained earnings	333	333	0
Accumulated other comprehensive income	-22	-2	+20
Total equities	748	768	+20
Total debt	313	281	-32
Cash & Cash Equivalents	267	180	-87
Net Debt	+46	+100	③ +54
Liability Ratio	139%	113%	-26%p

Key Points

① Current assets –W150bn

- Cash & Cash Equivalents fell W87bn due to the decrease of advance receipts and return of foreign currency denominated debt

② Total liabilities –W165bn

- Advance receipts dropped W53bn since new orders decreased
- Derivate related liabilities fell W20bn due to the currency surge

③ Net Debt +W54bn

- Cash decreased and return of bond

Quarterly Sales & New Orders

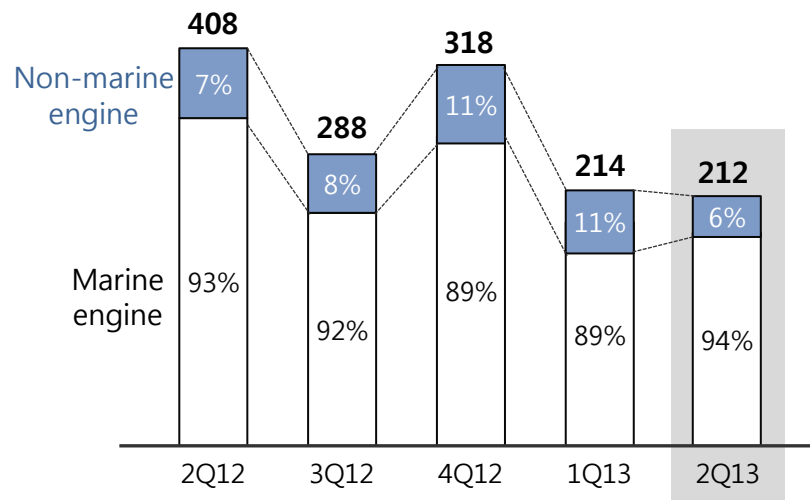
✓ 2Q13 Sales : W212bn(-48% YoY)

✓ 2Q13 new orders has improved due to gradual recovery in the commercial vessel market

Second half new orders will likely improve considering the increased engine order placement

Quarterly Sales Trend

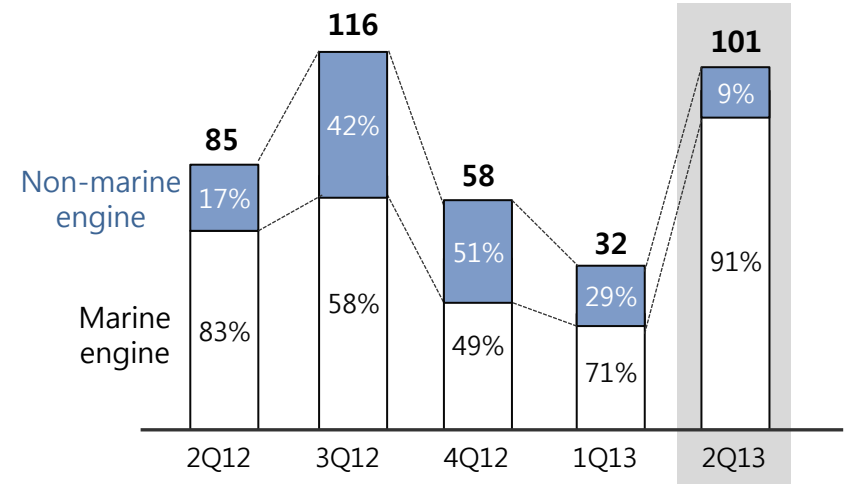
(Wbn, %)



- Marine engine
 - Sales fell due to delay in deliveries
- Non-marine engine
 - Diesel Power Plants : Sales decreased W14bn since delay in the completion of progress percentage

Quarterly New Orders Trend

(Wbn, %)

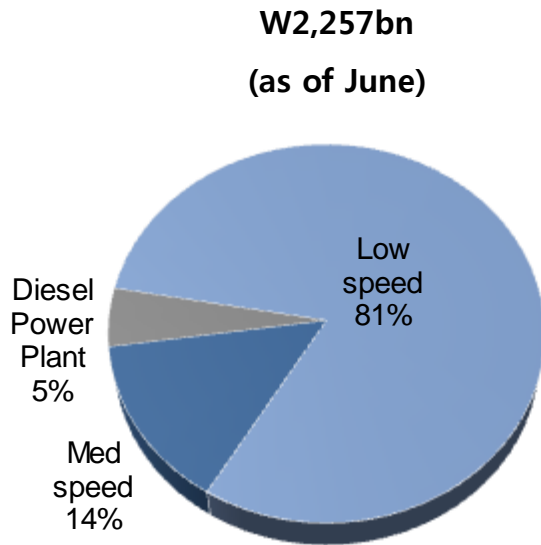


- Marine engine : W92bn
 - Non-recognized orders of W116bn not included
- Non marine engine : W9bn
 - Diesel power plant new orders struggled, parts W9bn

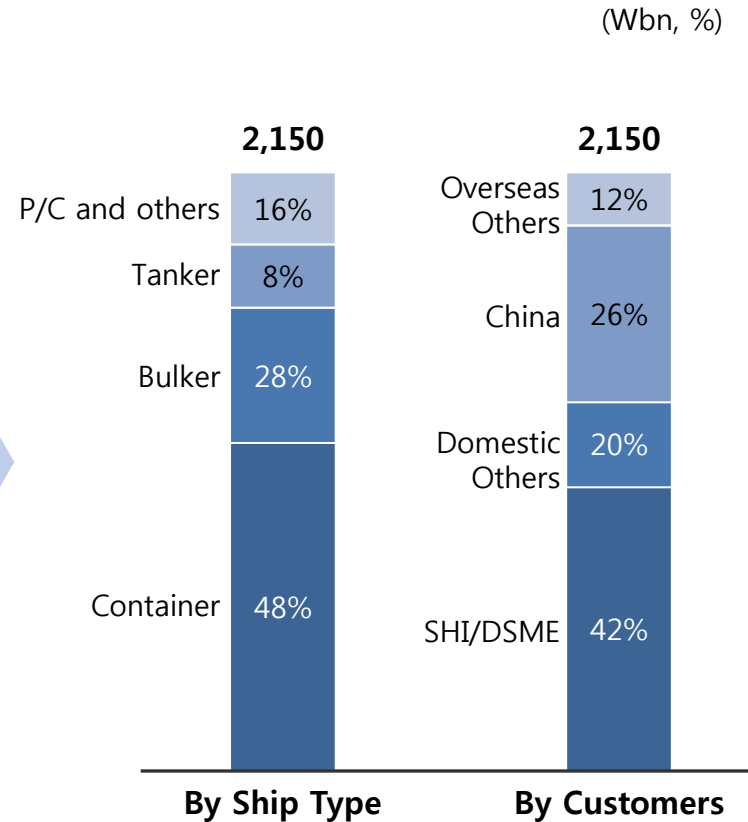
Order backlog

✓ Order backlog : W2.2tr, marine engine accounts 95%

Order Backlog Breakdown



Marine engine
(Low speed+ Med speed)
: W2,150bn



※ Backlog : Recognized upon contract sign basis
(reflection of cancellation and order changes)

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Mid to Long-Term Growth Strategy

- ✓ Implementing a diverse business portfolio by strengthening diesel power plant and focusing non-shipbuilding business
- ✓ Strengthening marine engine business by securing cost competitiveness and differentiated order-taking competitiveness

Strategy	'13 Key Strategy	Main Issues
<p>1</p> <p>Stable Business Portfolio</p>	<ul style="list-style-type: none"> • Strengthening Diesel Power Plant • Building a diversified business portfolio by improving non-shipbuilding business 	<ul style="list-style-type: none"> • Implementing EPC based system engineering • Expanding new order pool and market intelligence • Developing eco-efficiency ship parts • Developing non-shipbuilding business
<p>2</p> <p>Strengthen Marine Engine Competitiveness</p>	<ul style="list-style-type: none"> • Strengthening marine engine business 	<ul style="list-style-type: none"> • Securing cost competitiveness • Strengthening R&D/sales force

Mid to Long-Term Vision

✓ Focusing on non-marine engine areas to achieve W3tr sales by 2017

Mid to long-term Financial Aspiration – Sales

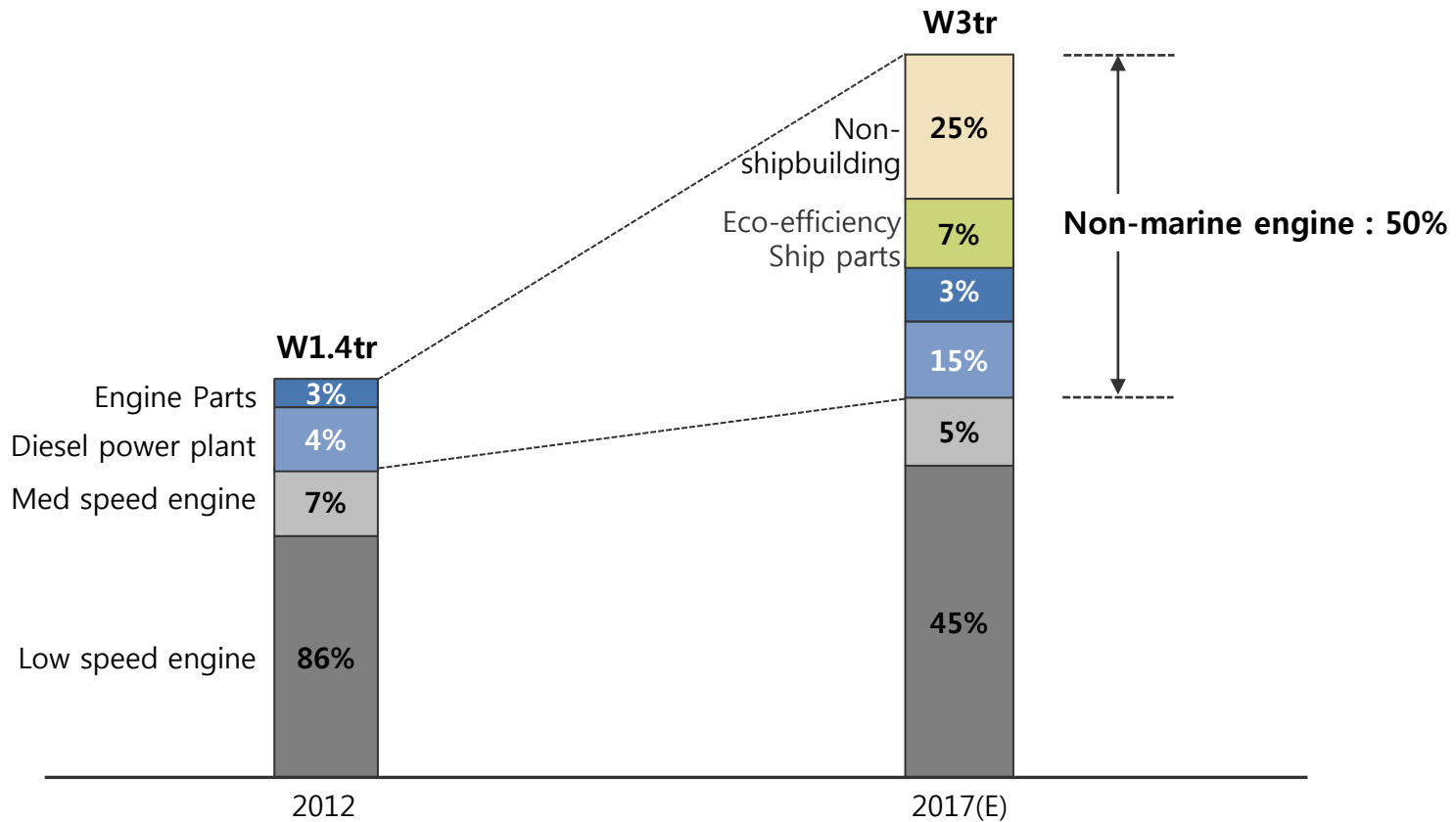


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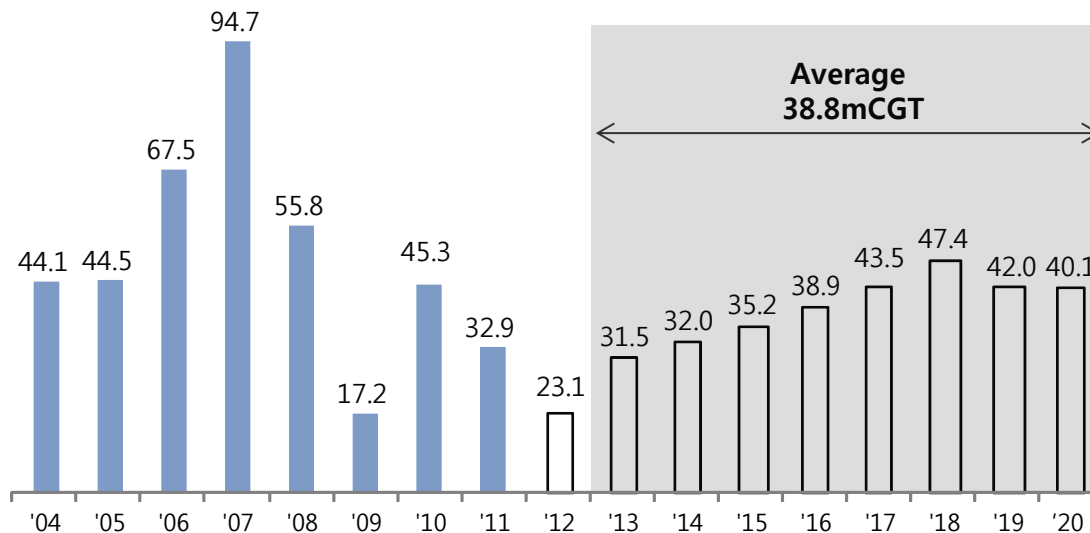
III. Investment Points

Shipbuilding market outlook

- ✓ The global new order outlook will start to recover from 2013 and likely to maintain an annual average of 39mCGT level until 2020
- ✓ Eco-efficiency ship parts market will significantly grow to W3tr in 2020 after the market develops in 2013

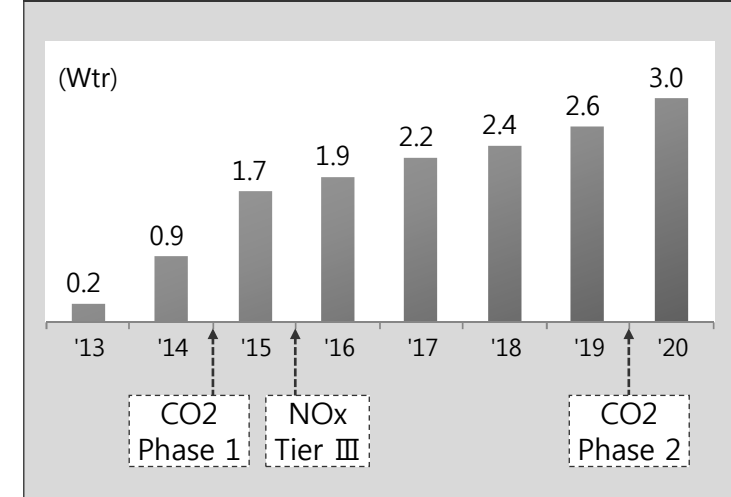
Global new order outlook

(mCGT)



* Source : Clarkson Forecast Report('13.3)

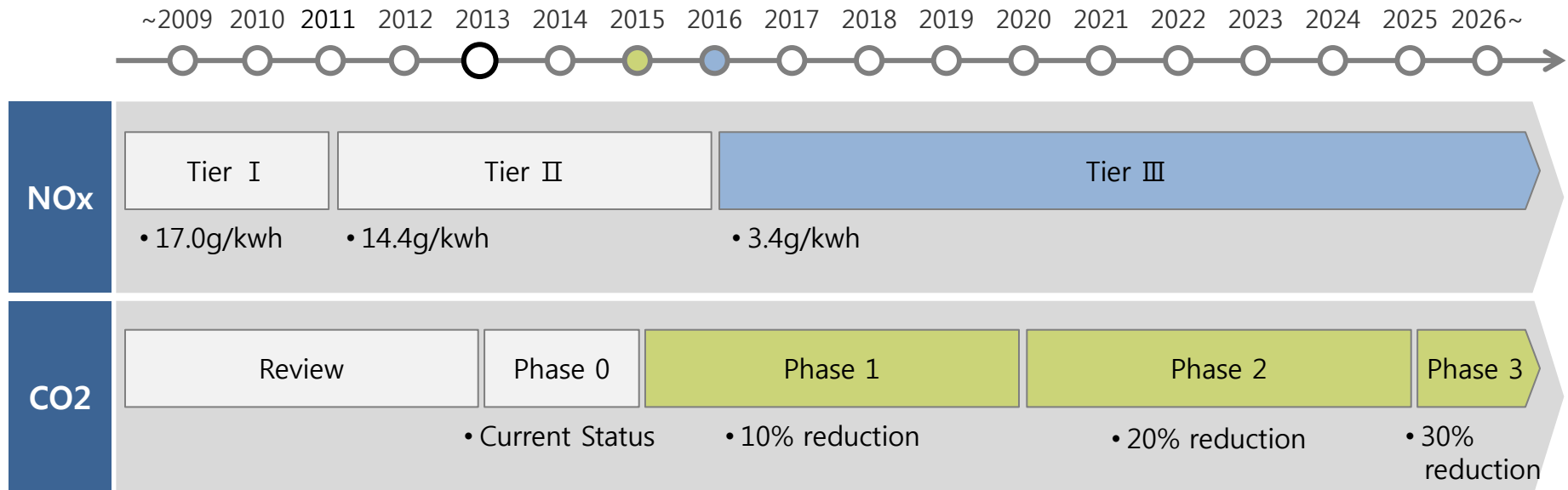
Eco-efficiency ship parts market size outlook



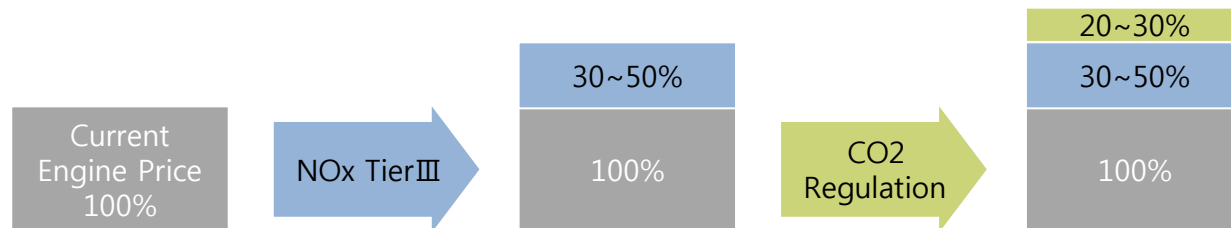
* Source : Doosan Engine Estimates

Investment Points 1. IMO environmental regulation trend

IMO regulation Milestone



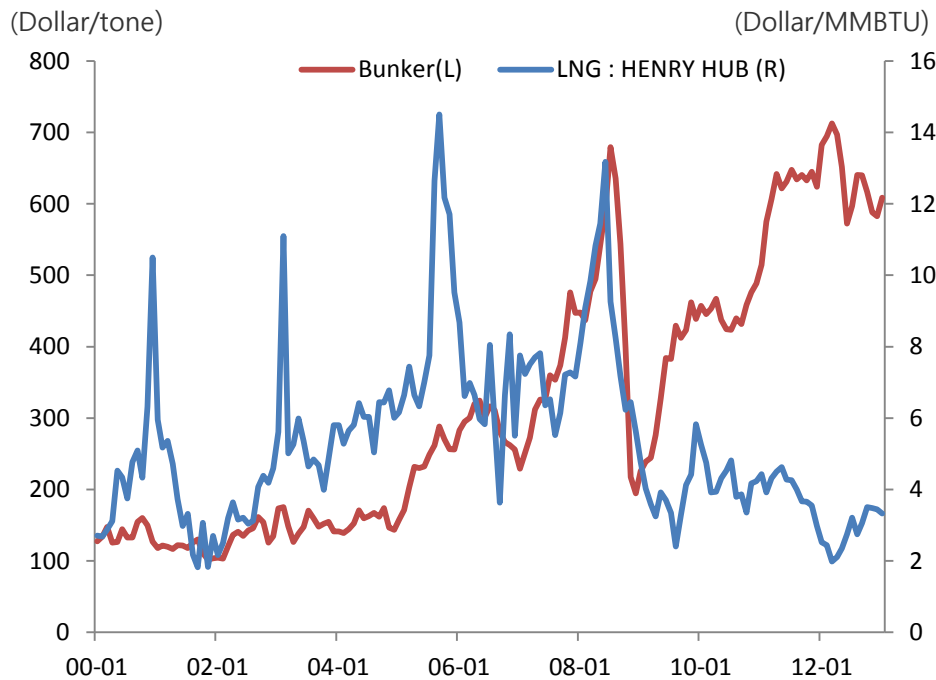
Impact on Engine Price



Investment Points 2. ME-GI(Electric driven-Gas Injection) Engine(1/2)

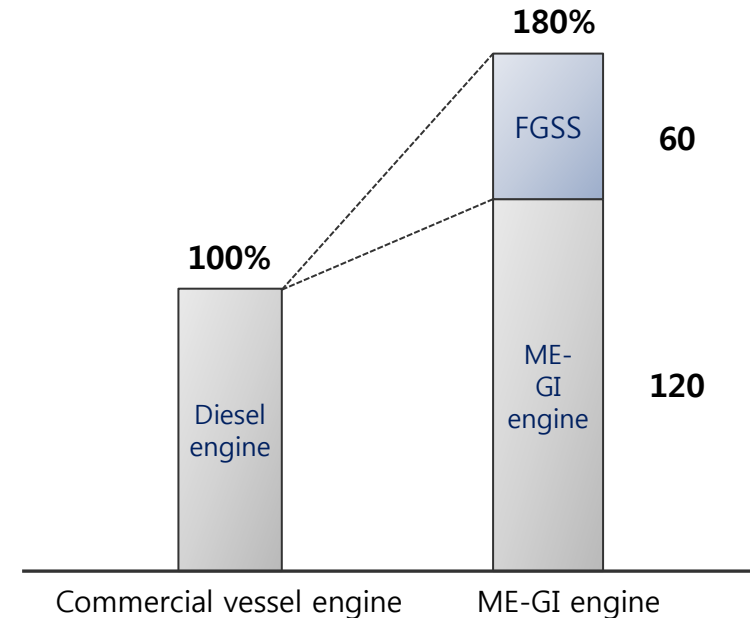
- ✓ The expansion of shale gas led to the decrease of natural gas price, LNG is environment friendly and secures economic efficiency
- ✓ The price of ME-GI engine is higher than the conventional diesel engine, therefore it will create new business opportunity

Natural price and bunker price trend after 2000



* Source : Bloomberg

Engine price impact

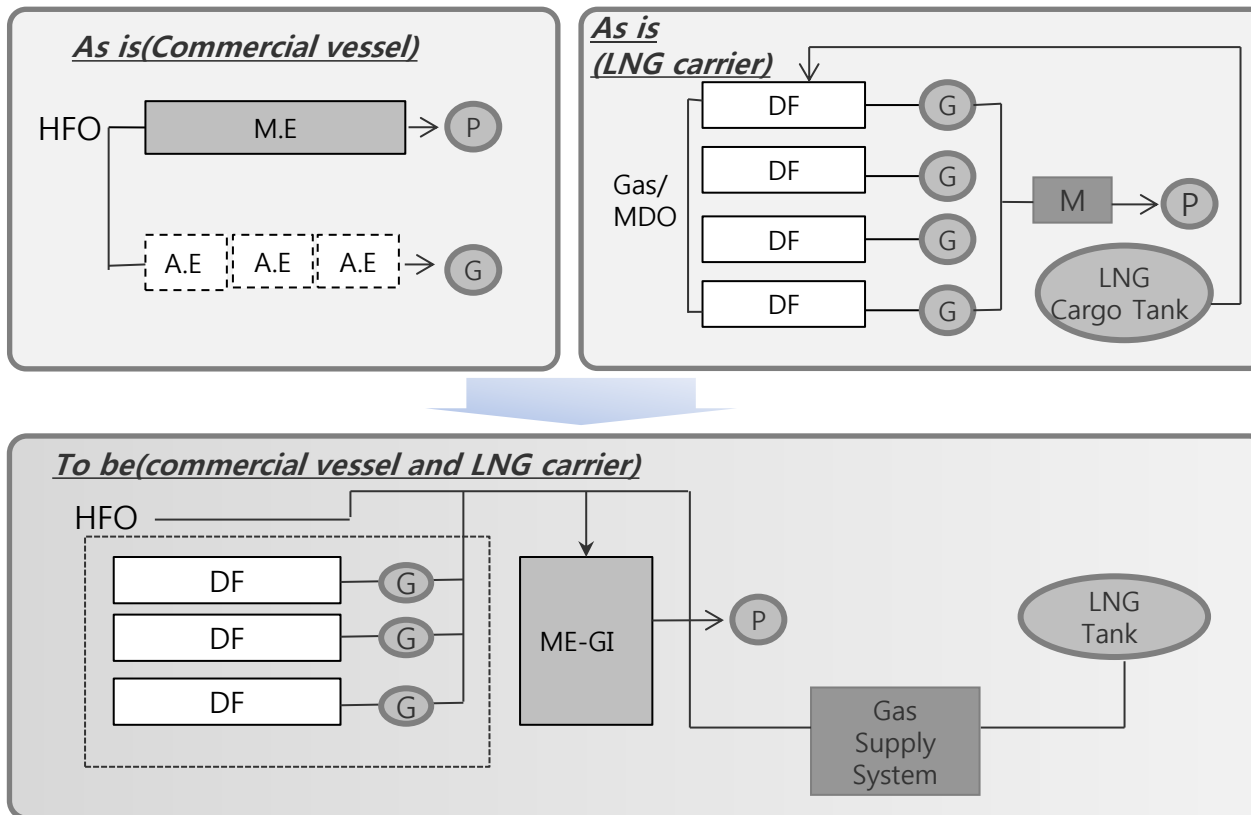


* FGSS : Fuel Gas Supply System, we expect outsource from DSME

Investment Points 2. ME-GI(Electric driven-Gas Injection) Engine(2/2)

- ✓ ME-GI engine meets environment regulation issues and easily generates massive output power
- ✓ The future engine propulsion system in commercial vessel(diesel engine) and LNG carrier(DF engine) will likely replace to ME-GI engine

The change of engine propulsion system



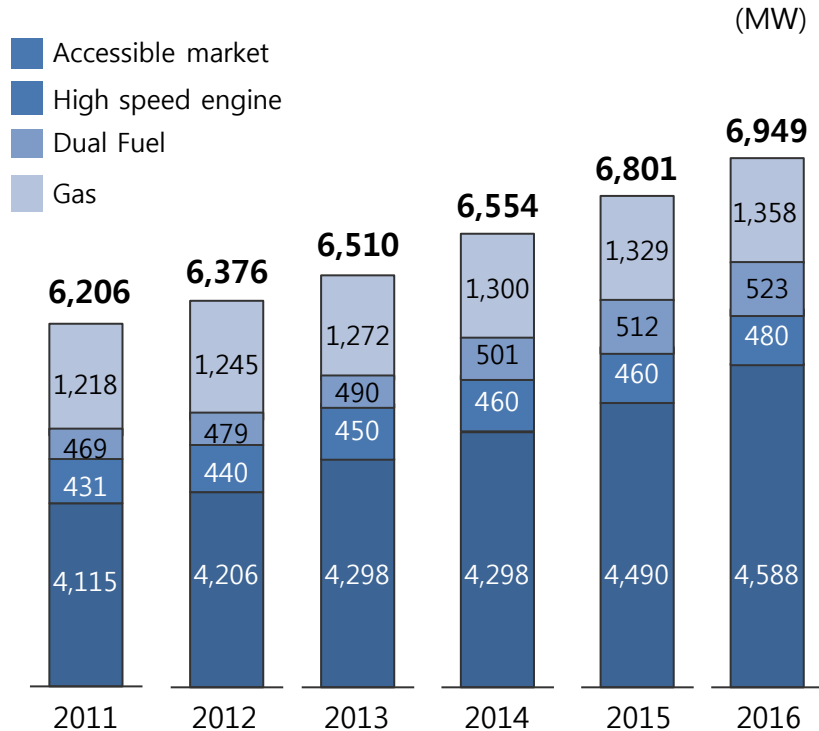
Engine efficiency/ Environment regulation		
	Engine efficiency	Environment regulation
Diesel engine	46%	X
Med speed DF engine	40%	O
ME-GI engine	46%	△

- M/E= Main Engine A/E= Auxiliary Engine, DF=Dual Fuel, P=Propeller G=Generator HFO=Heavy Fuel Oil MDO= Marine Diesel Oil, M=Motor

Investment Points 3. Diesel Power Plant Market

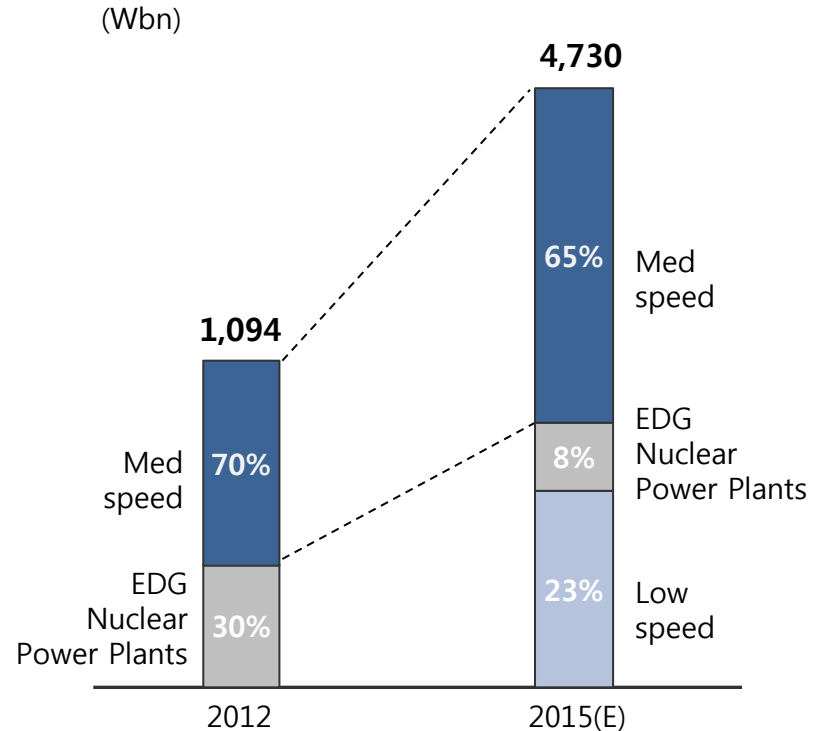
- ✓ The diesel power plant market will grow an average of 6,585MW per year since the increasing demand of small to mid sized electricity, our accessible market is around 4,348MW(W4tr)
- ✓ Improvement in EPC based system engineering will strengthen the diesel power plant business in the long term

Diesel power plant market outlook



* Source : IEA, World Energy Outlook 2010

Mid to long-term new order outlook

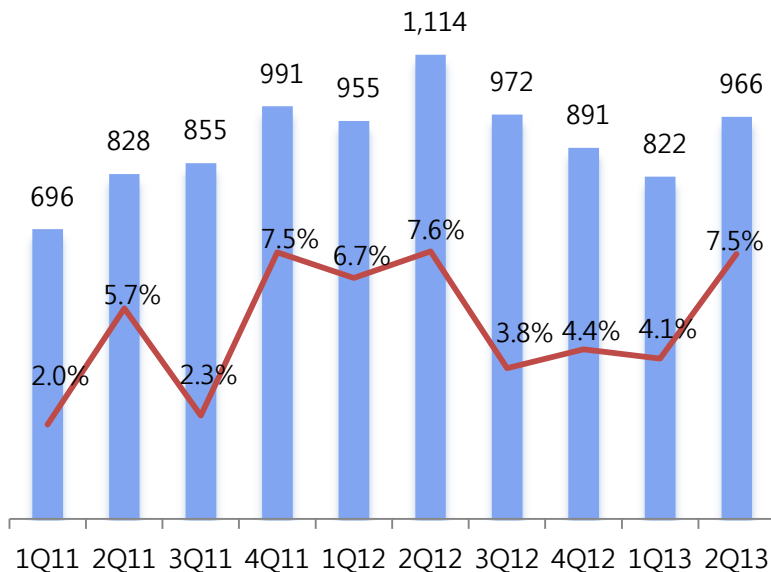


Investment Points 4. Bobcat Earnings

- ✓ 2Q13 Sales W966bn(18% YoY), Sales increased thanks to recovery of housing and construction market in North America
- ✓ The weak performance in Europe resulted 2Q13 equity method gain of Bobcat W0.2bn

Bobcat Sales and Operating Profit Trend

(Wbn, %)



* Source : Doosan Infracore IR Presentation (Jul 2013)

Bobcat Operating Results

(Wbn, %)

	'13.1Q	'13.2Q	QoQ
Sales	822	966	+17.5%
OP	34	72	+111.8%
OPM(%)	(4.1%)	(7.5%)	(+3.4%p)

Equity Method Gain/Loss

(Wbn, %)

	'13.1Q	'13.2Q
Stake(%)	15.5%	15.5%
Acquisition Cost	738	738
Book Value	451	460
Gain(Loss) on Equity Method of Bobcat	-6	0.2